UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-33843

Synacor, Inc.
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**16-1542712** **(I.R.S. Employer Identification No.)**
40 La Riviere Drive, Suite 300 **Buffalo, New York** **(Address of principal executive offices)**	**14202** **(Zip Code)**

(716) 853-1362
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

(Title of each class)	(Name of each exchange on which registered)
Common Stock, $0.01 par value	The Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act:

None.
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of shares of common stock held by non-affiliates as of June 30, 2016, the last business day of the registrant's most recently completed second fiscal quarter, computed by reference to the closing sale price of $3.08 per share on The Nasdaq Global Market on June 30, 2016, was approximately $73,566,083. For purposes of this disclosure, shares of common stock held by persons who held more than 10% of the outstanding shares of common stock at such time and shares held by executive officers and directors of the registrant have been excluded because such persons may be deemed to be affiliates. This determination of executive officer or affiliate status is not necessarily a conclusive determination for other purposes.

As of March 16, 2017, there were 31,484,756 shares of the registrant's common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the definitive Proxy Statement to be used in connection with the registrant's 2017 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K to the extent stated. That Proxy Statement will be filed within 120 days of registrant's fiscal year ended December 31, 2016.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward-looking statements that reflect our current views with respect to future events or our future financial performance, are based on information currently available to us, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements, including statements containing the words "believes," "can," "expects," "anticipates," "estimates," "intends," "objective," "plans," "possibly," "potential," "predicts," "targets," "likely," "may," "might," "would," "should," "could," and similar expressions or phrases (including the negatives of such expressions or phrases). We intend all such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements in the sections of this Annual Report on Form 10-K titled "Trends Affecting Our Business" and "Key Initiatives" as well as statements about:

- our expected future financial performance;
- our expectations regarding our operating expenses;
- our strategies and business plan;
- our ability to maintain or broaden relationships with existing customers and develop relationships with new customers;
- our success in anticipating market needs or developing new or enhanced services and products to meet those needs;
- our expectations regarding market acceptance of our services and products;
- our ability to recruit and retain qualified technical and other key personnel;
- our competitive position in our industry, as well as innovations by our competitors;
- our success in managing growth;
- our expansion in international markets;
- our ability to successfully integrate assets and personnel from our acquisitions;
- our success in identifying and managing potential acquisitions;
- our capacity to protect our confidential information and intellectual property rights;
- our need to obtain additional funding and our ability to obtain funding in the future on acceptable terms; and
- anticipated trends and challenges in our business and the markets in which we operate.

Any forward-looking statements contained in this Annual Report on Form 10-K are based upon our historical performance and our current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. All forward-looking statements involve risks, assumptions and uncertainties. Given these risks, assumptions and uncertainties, you should not place undue reliance on any forward-looking statements. The occurrence of the events described, and the achievement of the expected results, depend on many factors, some or all of which are not predictable or within our control.

Actual results may differ materially from expected results. See "Risk Factors" and elsewhere in this Annual Report on Form 10-K for a more complete discussion of these risks, assumptions and uncertainties and for other risks, assumptions and uncertainties. These risks, assumptions and uncertainties are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements.

Other unknown or unpredictable factors also could harm our results. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Annual Report on Form 10-K might not occur, and we therefore qualify all of our forward-looking statements by these cautionary statements. Any forward-looking statement made by us in this Annual Report on Form 10-K speaks only as of the date on which it is made. Except as required by law, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Unless expressly indicated or the context requires otherwise, the terms "Synacor," "Company," "we," "us," and "our" in this document refer to Synacor, Inc., a Delaware corporation, and, where appropriate, our wholly-owned subsidiaries.

PAR T I

ITEM 1. BUSINESS

Our Business

We enable our customers to better engage with their consumers. Our customers include video, internet and communications providers, device manufacturers, governments and enterprises. We are their trusted technology development, multiplatform services and revenue partner. Our customers use our technology platforms and services to scale their businesses and extend their subscriber relationships. We deliver managed portals, advertising solutions, email and collaboration platforms, end-to-end video solutions and cloud-based identity management.

We enable our customers to provide their consumers engaging, multiscreen experiences with products that require scale, actionable data and sophisticated implementation. Through our Managed Portals and Advertising solutions, we enable our customers to earn incremental revenue by monetizing media among their consumers. At the same time, because consumers have high expectations for their online experience as a result of advances in video, mobile and social, we provide, through our Recurring and Fee-Based Revenue solutions, a suite of products and services that helps our customers successfully meet those high expectations by enabling them to deliver to their consumers access to the same digital content across all devices, including PCs, tablets, smartphones and connected TVs.

Products and Services

Our Managed Portals and Advertising solutions provide our customers with substantial revenue opportunities generated by their consumers' engagement across devices. Managed Portals and Advertising solutions generated 59% of our revenue for 2016.

Our Managed Portals are intended to be daily destinations for consumers and are delivered across devices and under our customers' own brand names. To help our customers increase their consumers' engagement, we deliver relevant content, such as top news, entertainment, and long- and short-form video and apps, on our Managed Portals. We have licensing and distribution agreements with a wide range of programmers and content and service providers. In addition, consumers have the ability through our portals to manage their email and messaging, pay bills, receive special promotions and perform other account management needs.

We monetize the online traffic generated by consumers through search advertising, digital advertising (including video), and syndicated content on our Managed Portals. As we monetize our customers' online traffic on our Managed Portals, we share a portion of this revenue with our customers, resulting in a mutually beneficial partnership.

Our Recurring and Fee-Based Revenue solutions generated 41% of our revenue for 2016 and are comprised of our End-to-End Advanced Video Services, Email/Collaboration Services, and paid content and premium services:

- End-to-End Advanced Video Services include our Cloud ID Authentication Platform and Search & Discovery Metadata Platform. Our End-to-End Advanced Video Services offering is a highly-reliable, economically efficient, managed service that enables our customers to provide their consumers with TV Everywhere and multiscreen Over The Top (OTT) services.

  Cloud ID Authentication

  Consumers can watch TV on a myriad of devices, but many find the login process frustrating. Synacor Cloud ID addresses this issue by offering home-based auto-authentication and social login, which improve the consumer experience by reducing login failures.

  Search & Discovery Metadata Platform

  Once a consumer is authenticated, our Search & Discovery Metadata Platform helps them find their desired content successfully and easily. We curate videos every day and have compiled more than 2.2 million long- and short-form videos from hundreds of sources. We believe that we fill an important role for our customers as use of streaming video increases and consumers' video content consumption preferences shift away from traditional viewing habits.

- Our Email/Collaboration Services include white-label hosting, security and migration. With the acquisition of certain assets related to the Zimbra Email/Collaboration products and services business (the "Zimbra assets" or "Zimbra") in 2015, our software and managed service offering now supports a network of over 1,000 value-added resellers, or VARs, over 500 Business Service Providers, or BSPs, and over 3,500 enterprise, government and nonprofit customers, and it powers approximately 530 million mailboxes.

Recent Developments

In March 2017 we announced that Windstream, a top-10 U.S.-based service provider, has selected Synacor and our Zimbra platform, to be Windstream's hosted email provider. Windstream's residential high-speed internet customers will use Synacor's email offering. We also announced in March 2017 that another regional service provider has selected Synacor's end-to-end video platform to deliver their TV Everywhere experience.

Our Strategy

Our strategy is, with operational and financial discipline, to:

- increase value for existing customers by optimizing consumer experience and monetization;
- innovate on Synacor-as-a-platform for advanced services;
- win new customers in current and related verticals; and
- extend our product portfolio into emerging growth areas.

Increasing value for existing customers by optimizing user experience and monetization

With respect to our Managed Portals and Advertising solutions, 92% of our customers' consumers have upgraded to our latest-generation portal, driving a 15% increase in year-over-year engagement. Our portal, with its engaging user experience and responsive design for desktop and mobile web, and our mobile apps, have video threaded throughout and is designed to optimize consumer engagement and monetization. We are also decreasing the implementation time for customers to launch our latest-generation portal.

Innovating on Synacor-as-a-platform for advanced services

Our Cloud ID Authentication platform is reported as having some of the highest consumer login success rates in the industry.

In 2016, we extended our Cloud ID relationships to content providers, OTT players, and device manufacturers. We delivered Authentication services for HBO GO, providing, for example, authentication in connection with the *Game of Thrones* ' record-breaking sixth season and finale. Additionally, Apple uses Synacor's Authentication services to support Apple *Single Sign-On* . The current wave of MVPDs launched by Apple are almost all running on Synacor's Cloud ID Advanced Authentication platform. Our Authentication services also support Sling TV, PlayStation Vue and others to simplify the consumer log-in experience.

We believe we fill an important role as the number of streaming video consumers increases because we believe that our customers are looking for a single vendor with whom to work, not a balkanized group of vendors. We created a professional services team to work with partners to support the delivery of our End-to-End Advanced Video Services. Our acquisition of the assets of NimbleTV in 2015 also resulted in innovation in our End-to-End Advanced Video Services. Our acquisitions of the Zimbra assets in 2015 and certain assets from Technorati in 2016 resulted in innovations in our email/collaboration and digital advertising capabilities, respectively.

Winning new customers in current and related verticals

We have an established presence among broadband and pay-TV providers in the U.S. and Canada. Some of these providers use our complete suite of solutions, and others use only certain components. We view this as a growth opportunity within our existing customer base.

On May 4, 2016, we announced that AT&T selected Synacor to develop AT&T's new multiplatform digital experience to enhance user engagement and experience. The new multiplatform experiences integrate multiple avenues for monetization including a combination of targeted banner advertising, pre-roll video ads and popular promoted content. We expect that our partnership with AT&T will create a virtuous cycle that benefits all our current customers, and makes Synacor platforms more attractive for new customers.

In 2016, we released our iOS and Android video apps for GVTC and Consolidated Communications, which are powered by our end-to-end video platform. These apps enable consumers to watch TV everywhere, video-on-demand and OTT content in and out of the home. Further, we believe our apps are helping our customers drive new subscriptions through improved search and discovery because we enable our customers to transform massive amounts of data into easy-to-access content, and created new ways for consumers to access new services.

Extending our product portfolio into emerging growth areas

We plan to capitalize on opportunities such as international expansion and delivery of business services. Through our acquisition of the Zimbra assets we have expanded our international customer base, and we believe this represents an opportunity to find new customers for our Managed Portals and Advertising solutions.

Technology and Operations

Technology Architecture

To route traffic through our network in the most efficient manner, we use load-balancing products. These products spread work among multiple servers and link controllers that monitor the availability and performance of multiple connections. Our technology is reliable, fault tolerant and scalable through the addition of more servers as usage grows. In 2016 and 2015, we spent $25.6 million and $20.0 million, respectively (exclusive of depreciation and amortization) on technology and development activities. The cost of these activities is generally not borne directly by our customers.

Data Center Facilities

We currently operate and maintain six data centers in regionally diverse locations and have a network operations center that is staffed 24 hours a day, seven days a week. Our primary data centers are located in shared facilities in Atlanta, Georgia; Dallas, Texas; Lewis Center, Ohio; Denver, Colorado; Toronto, Canada and Amsterdam, The Netherlands. All systems are fully monitored for reporting continuity and fault isolation. The data centers are each in a physically secure facility using monitoring, environmental alarms, closed circuit television and redundant power sources. Our network operations center also is located in a secure facility.

Customers

Our Managed Portals and Advertising customers principally consist of high-speed internet service providers, such as AT&T, Windstream, Mediacom and CenturyLink, as well as consumer electronics manufacturers, such as Toshiba America Information Systems, Inc. (Toshiba). Contracts with these customers typically have an initial term of two to three years from the deployment of our Managed Portals and frequently provide for one or more automatic renewal terms of one to two years each. Our Managed Portals and Advertising customer contracts typically contain service level agreements that call for specific system “up times” and 24 hours per day, seven days per week support. As of December 31, 2016, we had agreements with over 50 Managed Portals and Advertising customers.

Our Recurring and Fee-Based customers consist of high-speed internet service providers along with enterprises, government and nonprofit organizations, either directly or through resellers. Contracts with these customers typically have an initial term of one to three years and frequently provide for one or more automatic renewal terms of one to two years each. Our Recurring and Fee-Based customer contracts also typically contain service level agreements that call for specific system “up times” and 24 hours per day, seven days per week support. As of December 31, 2016, we had agreements, both directly and indirectly through resellers, with over 120 high-speed internet service providers and over 3,500 enterprise, government and nonprofit customers.

Revenue attributable to one customer accounted for 16% of our revenue, or $20.8 million, in the year ended December 31, 2016.

Content and Service Providers

We license the content available in our Managed Portals, including free and paid content offerings and premium services, from numerous third-party content and service partners. These partners provide a variety of content, including news and information, entertainment, sports, music, video, games, shopping, travel, autos, careers and finance. Our relationships with content providers give consumers access to over one hundred thousand short-form video and articles each month. To obtain this content, we enter into a variety of licensing arrangements with the content providers. These arrangements are typically one to three years in duration with payment terms that may be based on traffic, advertising revenue share, number of subscribers, flat fee payments over time, or some combination thereof. In addition to using licensed content to populate our Managed Portals, we also provide premium services and paid content that subscribers may purchase for additional fees. As of December 31, 2016, we had arrangements with over 65 content providers, such as The Associated Press, CNN, Tribune Content Agency, Gracenote, and Bankrate.

Sales and Marketing

Managed Portals and Advertising Solutions

Our sales and marketing efforts focus on five primary areas: customer acquisitions, client services, account management, marketing and advertising sales. Our customer acquisition team consists of direct sales personnel who call upon prospective customers, typically large and mid-sized high-speed internet service providers and consumer electronics manufacturers. A significant amount of time and effort is devoted to researching and analyzing the requirements and objectives of each prospective customer. Each bid is specifically customized for the prospective customer, and often requires many months of interaction and negotiation before an agreement is reached.

Once an agreement is reached, our client services team, working closely with the customer acquisition team, assumes responsibility for managing the customer relationship during the time of the initial deployment and integration period, which is usually three to six months. During this period, the customer's technology is assessed and, if required, modifications are proposed to make it compatible with our technology. The client services team is responsible for the quality of the client deployment, customer relationship management during the time of deployment, and integration and project management associated with upgrades and enhancements.

After deployment, our account management team takes over management of the customer relationship, analyzing the ways in which a customer could further benefit from increased use of our products and services. The account management team is responsible for ongoing customer relationship management, upgrades and enhancements to the available products and services, as well as tracking the financial elements and performance of the customer relationship.

Our marketing team works closely with our account management team to deliver marketing programs that support our customers' sales efforts as well as their consumers' interaction with these products and services. We assist our customers in developing marketing materials and advertising that can be accessed by consumers through different media outlets, including the internet, print, television and radio. We also assist our customers in training their customer service representatives to introduce and sell premium services and our paid content offerings to new and existing customers.

Our advertising sales team sells advertising inventory directly to advertisers, frequently through the advertising agencies representing those advertisers. These advertisers may be small companies with the advertising locally or regionally focused on the Managed Portals of one customer, or large companies with nationwide advertising on the Managed Portals of many customers. We have a team of direct advertising sales employees and independent advertising sales representatives focused on this effort and will continue to develop this team and attempt to grow the amount of advertising revenue generated with our customers. As of December 31, 2016, we had arrangements with over 100 advertising partners such as AppNexus, Comcast Spotlight, Criteo, DoubleClick, NCC Media, Mediavest, and Tremor Video.

Email/Collaboration

We market our Email/Collaboration product through both direct and indirect sales channels. Our regional sales and marketing teams host several events each year with partners and run various campaigns to generate sales leads. Once a lead has been identified, our internal sales representatives work closely with our regional partners on better identifying the opportunity and gathering customer requirements.

We sell to internet service providers primarily through a direct sales force consisting of regional account executives. Sales cycles can be six months or longer. We sell to prospective government, nonprofit and enterprise customers through a two-tier indirect model via over 1,000 VARs and 500 BSPs. Our VARs sell on-premise licenses to end customers while our BSPs sell a cloud service to the end customer. Sales cycles can range from thirty days to six months, depending on size and scope.

Government Regulation

We generally are not regulated other than under international, federal, state and local laws applicable to the internet or e-commerce or to businesses in general. Some regulatory authorities have enacted or proposed specific laws and regulations governing the internet and online entertainment. These laws and regulations cover issues such as taxation, pricing, content, distribution, quality and delivery of services and products, electronic contracts, intellectual property rights, user privacy and information security.

Federal laws regarding the internet that could have an impact on our business include the following: the Digital Millennium Copyright Act of 1998, which is intended to reduce the liability of online service providers of third-party content, including content that may infringe copyrights or rights of others; the Children's Online Privacy Protection Act, which imposes additional restrictions on the ability of online services to collect user information from minors; and the Protection of Children from Sexual Predators Act, which requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances.

Laws and regulations regarding user privacy and information security impact our business because we collect and use personal information through our technology. We use this information to deliver mo re relevant content and services and provide consumers with a personalized online experience. We share this information on an aggregate basis with our customers and content providers and, subject to confidentiality agreements, to prospective customers and content providers. Laws such as the CAN-SPAM Act of 2003 or other user privacy or security laws could restrict our and our customers' ability to market products to their consumers, create uncertainty in internet usage and reduce the demand for our services and products or require us to redesign our Managed Portals.

Intellectual Property

We believe that the protection of our intellectual property is critical to our success. We rely on copyright, service mark and patent enforcement, contractual restrictions and trade secret laws to protect our proprietary rights. We have entered into confidentiality and invention assignment agreements with our employees and contractors, and nondisclosure agreements with certain parties with whom we conduct business in order to limit access to, and disclosure of, our proprietary information. We have applied for patents to protect certain of our intellectual property. In addition, we have acquired intellectual property, including patents and trademarks, through our acquisitions including Zimbra, Technorati, NimbleTV and Teknision. Our registered service mark in the United States is Synacor ®.

We endeavor to protect our internally-developed systems and maintain our trademarks and service marks. We generally control access to and use of our proprietary software and other confidential information through the use of internal and external controls, including contractual protections with employees, contractors, customers and partners, and our software is protected by United States and international copyright laws.

In addition to legal protections, we believe that factors such as the technological and creative skills of our personnel, new product developments, frequent product enhancements and reliable product support and services are essential to establishing and maintaining a technology leadership position.

Competition

The market for internet-based services and products in which we operate is highly competitive and involves rapidly-changing technologies and customer and consumer requirements, as well as evolving industry standards and frequent product introductions. While we believe that our technology offers considerable value and flexibility to our customers by helping them to extend their consumer relationships to a wide variety of internet-based services, we face competition at four levels:

- When one of our prospective or existing customers considers another supplier, including one of our partners, for elements of the services or products which we provide.
- When consumers choose to rely on other vendors for similar products and services.
- When content and service providers prefer to establish direct relationships with one or more of our customers.
- When one of our customers decides to make the significant headcount and technology investment to develop products and services in-house similar to those that we provide.

Our technology competes primarily with high-speed internet service providers that have internal information technology staff capable of developing similar solutions in-house.

Managed Portals and Advertising Solutions

In addition, with respect to our Managed Portals and Advertising solutions, we compete with companies such as Facebook, Inc.; Yahoo! Inc. or Yahoo!; Google; AOL, a division of Verizon, or AOL; Hulu; Netflix; Amazon; and MSN, a division of Microsoft Corporation, or Microsoft, which have destination websites of their own or are capable of delivering content, service offerings and search or advertising models similar to ours.

We also compete with providers of paid content and services over the internet, especially companies with the capability of bundling paid content and premium services in much the same manner that we do. These companies include WatchESPN, F-Secure Corporation, Exent Technologies Ltd., Zynga Inc., MLB Advanced Media, Symantec Corporation, McAfee, Inc., Activision Blizzard, Inc. and Electronic Arts Inc. In some cases we have performed software integrations with these companies on behalf of our customers or, as in the case of F-Secure Corporation, we have partnered with them in order to offer their services more broadly to all our customers.

We believe the principal competitive factors in our markets include a company's ability to:

- reinforce the brands of our cable, satellite, telecom and consumer electronics customers;
- produce products that are flexible and easy to use;
- offer competitive fees for Managed Portal development and operation;
- generate additional revenue for our customers;
- enable our customers to be involved in designing the "look and feel" of their online presence;
- offer services and products that meet the changing needs of our customers and their consumers, including emerging technologies and standards;
- provide high-quality product support to assist the customer's service representatives; and
- aggregate content to deliver more compelling bundled packages of paid content.

We believe that we distinguish ourselves from potential competitors in three principal ways. First, we provide a white-label solution that, unlike the co-branded approach of most of our competitors, creates a consumer experience that reinforces our customers' and partners' brands. Second, we give customers control over the sign-on process and billing function for a wide range of internet services and content by integrating with their internal systems (where applicable) thereby allowing our customers to "own the consumer." Finally, our solutions are flexible and neutral, meaning that we allow deliverables that are customized to our customers' specific needs, as well as advanced video solutions that are either end-to-end or a la carte.

Email/Collaboration

With respect to our Email/Collaboration solutions, we compete primarily with Google and Microsoft in the enterprise and government markets, and with Open-Xchange and OpenWave in the internet service provider markets.

We believe the principal competitive factors in the email/collaboration market include a company's ability to:

- provide customers the ability to perform security and compliance audits of our source code;
- deliver anti-spam, anti-virus and encryption technologies;
- provide products and services at lowest possible total cost of ownership (TCO);
- provide local partners the ability to store data within the legal jurisdiction of the country where their consumers do business;
- provide an enterprise-ready solution suitable for large-scale deployments including such enterprise features such as delegated administration, detailed logging, and performance and availability transparency;
- offer access to real-time performance and availability statistics;
- afford customers and partners the ability to rebrand their cloud collaboration experience; and
- make available to partners both integrations and extensions to the collaboration cloud environment specific to consumers' needs.

We believe that we distinguish ourselves from potential competitors in several ways. First, we offer our Email/Collaboration products and services a la carte, enabling consumers to buy only the services they need, providing for a much lower TCO. Second, our Zimbra Email/Collaboration solution is a complete feature-rich, enterprise-ready solution scalable up to 40 million mailboxes. Finally, our products are customizable and extendable and designed to meet very high standards of security.

Employees

As of December 31, 2016, we had 322 employees in the United States and 130 based internationally. Of these employees, 449 were full-time employees. None of our employees are represented by a labor union, and we consider current employee relations to be good.

Corporate Information

Synacor's predecessor company was originally formed as a New York corporation, and in November 2002, Synacor re-incorporated under the laws of the State of Delaware. Our headquarters are located at 40 La Riviere Drive, Buffalo, New York 14202, and our telephone number is (716) 853-1362.

We have determined that we have a single reporting segment. A summary of our financial information by geographic location is found in Note 7, *Information About Segment and Geographic Areas* , in the Notes to Consolidated Financial Statements. Our international operations and sales subject us to a variety of risks; see Item 1A, "Risk Factors," for further discussion.

Available Information

Our internet website address is http://www.synacor.com . We provide free access to various reports that we file with or furnish to the Securities and Exchange Commission, or SEC, through our website, as soon as reasonably practicable after they have been filed or furnished. These reports include, but are not limited to, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports. Our SEC reports can be accessed through the investor relations section of our website, or through http://www.sec.gov . Information on our website does not constitute part of this Annual Report on Form 10-K or any other report we file or furnish with the SEC. Stockholders may request copies of these documents from:

Synacor, Inc.
Investor Relations Department
40 La Riviere Drive
Suite 300
Buffalo, New York 14202

ITEM 1A. RI SK FACTORS

Our business and financial results are subject to numerous risks and uncertainties, including those described below, which could adversely and materially affect our business, financial condition or results of operations. You should carefully consider these risks and uncertainties, including the following risk factors and all other information contained in this Annual Report on Form 10-K, together with any other documents we file with the SEC.

Risks Related to Our Business

A loss of any significant Managed Portals and Advertising customer could negatively affect our financial performance.

Although we continue to diversify our product portfolio and our customer base, we continue to derive a substantial portion of our revenue from a small number of Managed Portal customers. Revenue attributable to these customers includes the Recurring and Fee-Based revenue earned directly from them, as well as the search and digital advertising revenue earned through our relationships with our advertising partners, such as Google, based on traffic generated from our Managed Portals. Revenue attributable to CenturyLink, Toshiba, and Verizon Corporate Services Group, Inc., or Verizon together accounted for approximately 49% of our revenue, or $53.5 million for the year ended December 31, 2015. For 2015, revenue attributable to one of these customers accounted for 20% or more of our revenue, and revenue attributable to each of the other two customers accounted for more than 10% of our revenue. For 2016, revenue attributable to one customer accounted for approximately 16% of our revenue, or $20.8 million, and no other customer accounted for 10% or more of our revenue for that period.

Our contracts with our Managed Portals and Advertising customers generally have an initial term of approximately two to three years from the launch of their Managed Portals and frequently provide for one or more automatic renewal terms of one to two years each. If a key contract is not renewed or is otherwise terminated, or if revenue from a significant customer declines because of competitive or other reasons, our revenue would decline and our ability to achieve or sustain profitability would be impaired. In addition to the loss of Recurring and Fee-Based revenue, we would also lose significant revenue from the related search and digital advertising services that we provide. In addition to the decline of revenue, we may have to impair our long-lived assets, to the extent that such assets are used exclusively to support these customers, which would adversely impact our results of operations and financial position.

If our delivery of our products and services under our contract with AT&T is executed according to our plan, we expect that, following such delivery, we will derive a substantial portion of our revenue from AT&T, with revenue attributable to AT&T exceeding the revenue attributable to any of our other customers. If our contract with AT&T is not renewed or is otherwise terminated, or if revenue from the AT&T relationship were to decline due to competitive or other reasons, our results of operations and financial position would be adversely affected.

Our search advertising partner, Google, accounts for a significant portion of our revenue, and any loss of, or diminution in, our business relationship with Google would materially and adversely affect our financial performance.

We rely on traffic on our Managed Portals to generate search and digital advertising revenue, a substantial portion of which is derived from text-based links to advertisers' websites as a result of internet searches. We have a revenue-sharing relationship with Google under which we include a Google-branded search tool on our Managed Portals. When a consumer makes a search request using this tool, we deliver it to Google, and Google returns search results to us that include advertiser-sponsored links. If the consumer clicks on a sponsored link, Google receives payment from the sponsor of that link and shares a portion of that payment with us. We then typically share a portion of that payment with the applicable customer. Our Google-related search advertising revenue attributable to our customers, which consists of the portion of the payment from the sponsor that Google shares with us, accounted for approximately 12%, 28%, and 42% of our revenue in 2016, 2015, and 2014 or $15.9 million, $31.2 million, and $45.4 million respectively. Our agreement with Google was extended in December 2016 for an additional twelve-month period and expires in February 2018 unless we and Google mutually elect to renew it. Additionally, Google may terminate our agreement if we experience a change in control, if we enter into an agreement providing for a change in control, if we do not maintain certain search and digital advertising revenue levels or if we fail to conform to Google's search policies and advertising policies. Google may from time to time change its existing, or establish new, methodologies and metrics for valuing the quality of internet traffic. Any changes in these methodologies, metrics and advertising technology platforms could decrease the advertising rates that we receive and/or the amount of revenue that we generate from digital advertisements. If advertisers were to discontinue their advertising via internet searches, if Google's revenue from search-based advertising were to decrease, if Google's share of the search revenue were to be increased or if our agreement with Google were to be terminated for any reason or renewed on less favorable terms, our business, financial condition and results of operations would be materially and adversely affected. Moreover, consumers' increased use of search tools other than the Google-branded search tool we provide would have similar effects.

We have a history of significant pr e-tax net losses and may not be profitable in future periods, which would limit our ability to use our net operating loss carryforwards.

We have reported pre-tax net income in only three years, 2009, 2011 and 2012, in amounts of $0.3 million, $3.9 million, and $5.6 million, respectively. In all other years, we have incurred losses, and at December 31, 2016 our cumulative net operating loss carryforward totals approximately $14 million. We have taken cost saving measures, including a reduction in workforce carried out in September 2014. However, our expenses may increase in future periods as we implement initiatives designed to grow our business including, among other things, the start-up and product development expenses we will incur in connection with providing Managed Portal and Advertising solutions to AT&T, acquisitions of complementary businesses (such as our acquisition of the Zimbra assets and our acquisition of assets from Technorati), the development and marketing of new services and products, licensing of content, expansion of our infrastructure and international expansion. If our revenue does not sufficiently increase to offset these expected increases in operating expenses, we may incur significant losses and may not be profitable. For example, although our revenue in 2016 increased as compared to 2015 and our revenue in 2015 increased as compared to 2014, we have not yet returned to profitability. We may not be able to return to or maintain profitability in the future. Any failure to achieve or maintain profitability may materially and adversely affect our business, financial condition, results of operations and impact our ability to utilize our net operating loss carryforwards. As a result of our pre-tax cumulative losses, we have established a full valuation allowance against our deferred income tax asset, which includes our net operating loss carryforwards.

Many individuals are using devices other than personal computers and software applications other than internet browsers to access the internet. If users of these devices and software applications do not widely adopt the applications and other solutions we develop for them, our business could be adversely affected.

The number of people who access the internet through devices other than PCs, including tablets, smartphones and connected TVs, has increased dramatically in the past few years and is projected to continue to increase. Similarly, individuals are increasingly accessing the internet through apps other than internet browsers, such as those available for download through Apple Inc.'s App Store and the Android Market. Our Managed Portals include our responsive desktop and mobile web products and also our mobile native iOS and Android apps. If consumers do not use our mobile products at all or use these products less frequently than previously, our financial results could be negatively affected. Additionally, as new devices and new apps are continually being released, it is difficult to predict the problems we may encounter in developing new versions of our apps and other solutions for use on these alternative devices and apps, and we may need to devote significant resources to the creation, support and maintenance of such apps and solutions. If users of these devices and apps do not widely adopt the apps and other solutions we develop, our business, financial condition and results of operations could be adversely affected.

Consumer tastes continually change and are unpredictable, and sales of our Managed Portals and Advertising solutions may decline if we fail to enhance our service and content offerings to achieve continued consumer acceptance.

Our business depends on aggregating and providing services and content that our customers will place on our Managed Portals, including television programming, news, entertainment, sports and other content that their consumers find engaging, and premium services and paid content that their consumers will buy. Accordingly, we must continue to invest significant resources in licensing efforts, research and development and marketing to enhance our service and content offerings, and we must make decisions about these matters well in advance of product releases to implement them in a timely manner. Our success depends, in part, on unpredictable and volatile factors beyond our control, including consumer preferences, competing content providers and websites and the availability of other news, entertainment, sports and other services and content. While we work with our customers to have their consumers' homepages set to our Managed Portals, a consumer may easily change that setting, which would likely decrease the use of our Managed Portals. Similarly, consumers who change their device's operating system or internet browser may no longer have our Managed Portals set as their default homepage, and unless they change it back to our Managed Portals, their usage of our Managed Portals would likely decline and our results of operations could be negatively impacted. Consumers who acquire new consumer electronics devices will no longer have our Managed Portals initially set as their default homepage, and unless they change the default to our Managed Portals, their usage of our Managed Portals would likely decline and our results of operations could be negatively impacted.

If our services are not responsive to the requirements of our customers or the preferences of their consumers, or the services are not brought to market in a timely and effective manner, our business, financial condition and results of operations would be harmed. Even if our services and content are successfully introduced and initially adopted, a subsequent shift in the preferences of our customers or their consumers could cause a decline in the popularity of our services and content that could materially reduce our revenue and harm our business, financial condition and results of operations.

Our revenue growth will be adversely affected if we are unable to expand the breadth of our services and products or to introduce new services and products on a timely b asis.

To retain our existing customers, attract new customers and increase revenue, we must continue to develop and introduce new services and products on a timely basis and continue to develop additional features to our existing product base. For example, under our relationship with AT&T, we have agreed to deliver a number of additional products and services to AT&T's consumers. If our existing and prospective customers do not perceive that we will deliver our services and products on schedule, or if they do not perceive our services and products to be of sufficient value and quality, we may lose the confidence of our existing customers and fail to increase sales to these existing customers, existing customers may be able to terminate their agreements with us, and we may not be able to attract new customers, each of which would adversely affect our operating results.

Our sales cycles and the contracting process with new customers are long and unpredictable and may require us to incur expenses before executing a customer agreement, which makes it difficult to project when, if at all, we will obtain new customers and when we will generate additional revenue and cash flows from those customers.

We market our services and products directly to high-speed internet service and communications providers, consumer electronics manufacturers, and directly and indirectly to enterprises, and governmental and nonprofit organizations. New customer relationships typically take time to obtain and finalize because of the burdensome cost of migrating from an existing solution to our platform. Due to operating procedures in many organizations, a significant time period may pass between selection of our services and products by key decision-makers and the signing of a contract. The length of time between the initial customer sales call and the realization of significant sales is difficult to predict and can range from several months to several years. As a result, it is difficult to predict when we will obtain new customers and when we will begin to generate revenue and cash flows from these potential new customers.

As part of our sales cycle for our Managed Portals and Advertising customers, we may incur significant expenses in the form of compensation and related expenses and equipment acquisition before executing a definitive agreement with a prospective customer so that we may be ready to launch shortly following execution of a definitive agreement. If conditions in the marketplace generally or with a specific prospective customer change negatively, it is possible that no definitive agreement will be executed, and we will be unable to recover any expenses incurred before a definitive agreement is executed, which would in turn have an adverse effect on our business, financial condition and results of operations.

Many of our customers are high-speed internet service providers, and consolidation within the cable and telecommunications industries could adversely affect our business, financial condition and results of operations.

Our revenue from high-speed internet service and communications providers, including our search and digital advertising revenue generated by online consumer traffic on our Managed Portals and our revenue from our Email/Collaboration offerings, accounted for approximately 63% in 2016, approximately 82% in 2015 and approximately 85% in 2014. The cable and telecommunications industries have experienced consolidation over the past several years, and we expect that this trend will continue. As a result of consolidation, some of our customers may be acquired by companies with which we do not have existing relationships and which may have relationships with one of our competitors or may have the in-house capacity to perform the services we provide. As a result, such acquisitions could cause us to lose customers and the associated revenue. Under our agreements with some of our customers, including CenturyLink, they have the right to terminate the agreement if we are acquired by one of their competitors.

Consolidation may also require us to renegotiate our agreements with our customers as a result of enhanced customer leverage. We may not be able to offset the effects of any such renegotiations, and we may not be able to attract new customers to counter any revenue declines resulting from the loss of customers or their subscribers.

We rely, to a significant degree, on indirect sales channels for the distribution of our Email/Collaboration products, and disruption within these channels could adversely affect our business, financial condition, operating results and cash flows.

We use a variety of indirect distribution methods for our offerings, including channel partners, such as cloud service providers, distributors, and value added resellers. A number of these partners in turn distribute our offerings via their own networks of channel partners with whom we have no direct relationship. These relationships allow us to offer our technologies to a much larger customer base than we would otherwise be able through our direct sales and marketing efforts.

We rely, to a significant degree, on each of our channel partners to select, screen and maintain relationships with its distribution network and to distribute our offerings in a manner that is consistent with applicable law and reg ulatory requirements and our quality standards. If our channel partners or a partner in its distribution network violate applicable law or regulatory requirements or misrepresent the functionality of our offerings, our reputation could be damaged and we co uld be subject to potential liability. Furthermore, our channel partners may offer their own products and services that are competitive with our offerings or may not distribute and market our offerings effectively. Our existing channel partner relationship s do not, and any future channel partner relationships may not, afford us any exclusive marketing or distribution rights. In addition, if a channel partner is acquired by a competitor or its business units are reorganized or divested, our revenue derived f rom that partner may be adversely impacted.

Recruiting and retaining qualified channel partners and training them in the use of our technologies require significant time and resources. If we fail to devote sufficient resources to support and expand our network of channel partners, our business may be adversely affected. In addition, because we rely on channel partners for the indirect distribution of our technologies, we may have little or no contact with the ultimate end-users of our technologies, thereby making it more difficult for us to establish brand awareness, ensure proper delivery and installation of our software, support ongoing customer requirements, estimate end-user demand, respond to evolving customer needs and obtain renewals from end-users.

Most of our sales to government entities have been made indirectly through our channel partners. Government entities may have statutory, contractual, or other legal rights to terminate contracts with our channel partners for convenience or due to a default, and any such termination may adversely impact our future operating results. Governments routinely investigate and audit government contractors' administrative processes, and any unfavorable audit could result in the government refusing to continue buying our offerings, a reduction of revenue or fines or civil or criminal liability if the audit uncovers improper or illegal activities.

If our indirect distribution channel is disrupted, we may be required to devote more resources to distribute our offerings directly and support our customers, which may not be as effective and could lead to higher costs, reduced revenue and growth that is slower than expected.

As technology continues to evolve, the use of our products by our current and prospective consumer electronics manufacturer customers may decrease and our business could be adversely affected.

The consumer electronics industry is subject to rapid change, and our contracts for Managed Portals and Advertising solutions with our consumer electronics manufacturer customers are not exclusive. As consumer electronics manufacturers continue to develop new technologies and introduce new models and devices, there can be no assurance that we will be able to develop solutions that will persuade consumer electronics manufacturers that are our customers at such time to utilize our technology for those new devices. If our current and prospective consumer electronics manufacturer customers elect not to integrate our solutions into their new products, our business, financial condition and results of operations could be adversely affected.

Moreover, updates to internet browser technology may adversely affect our business. For example, for our consumer electronics manufacturer customers that have the Windows 8 operating system pre-installed on some of their devices, the Windows 8 operating system places our Managed Portal on a second tab when the internet browser is launched, leading to decreased search and digital advertising revenue. Further, upgrades to the Windows 10 operating system default to Microsoft's latest Edge browser and displace users' previous browser settings including default homepages, which can also lead to decreased search and digital advertising revenue. Unless consumers change their browser settings back to our Managed Portals, their usage of our Managed Portals would likely decline and our results of operations could be negatively impacted.

We invest in features and functionality designed to increase consumer engagement with our Managed Portals; however, these investments may not lead to increased revenue.

Our future growth and profitability will depend in large part on the effectiveness and efficiency of our efforts to provide a compelling consumer experience that increases consumer engagement with our Managed Portals. We have made and will continue to make substantial investments in features and functionality for our technology that are designed to drive consumer engagement. We expect we will have invested a total of approximately $10 million through March 31, 2017 in start-up expenses, development expenses and capital expenditures relating to our contract with AT&T, including approximately $8.2 million invested in the year ended December 31, 2016, of which approximately $6.3 million was operating expense and the remaining $1.9 million was capital expenditure, and we expect to invest an additional $2 million in 2017, of which we expect approximately $0.1 million to be capital expenditure and the remainder to be operating expense.

Not all of these activities directly generate revenue, and we cannot assure you that we will reap sufficient rewards from these investments to make them worthwhile. If the expenses that we incur in connection with these activities do not result in increased consumer engagement tha t in turn results in revenue increases that exceed these expenses, our business, financial condition and results of operations will be adversely affected.

Our services and products may become less competitive or even obsolete if we fail to respond to technological developments.

Our future success will depend, in part, on our ability to modify or enhance our services and products to meet customer and consumer needs, to add functionality and to address technological advancements that would improve their performance. For example, if our smartphone and tablet products fail to capture the increased search activity on such devices or if our services and products do not adapt to the increasing video usage on the internet or to take into account evolving developments in social networking, then they could begin to appear obsolete. Similarly, if we fail to develop new ways to deliver content and services through apps other than traditional internet browsers, consumers could seek alternative means of accessing content and services.

To remain competitive, we will need to develop new services and products and adapt our existing ones to address these and other evolving technologies and standards. However, we may be unsuccessful in identifying new opportunities or in developing or marketing new services and products in a timely or cost-effective manner. In addition, our product innovations may not achieve the market penetration or price levels necessary for profitability. If we are unable to develop enhancements to, and new features for, our existing services and products or if we are unable to develop new services and products that keep pace with rapid technological developments or changing industry standards, our services and products may become obsolete, less marketable and less competitive, and our business will be harmed.

We depend on third parties for content that is critical to our business, and our business could suffer if we do not continue to obtain high-quality content at a reasonable cost.

We license the content that we aggregate on our Managed Portals from numerous third-party content providers, and our future success is highly dependent upon our ability to maintain and enter into new relationships with these and other content providers. In some cases, we are required under our contracts, including our contract with AT&T, to provide our customers' consumers access to certain types of content. In the future, some of our content providers may not give us access to high-quality content, may fail to adapt to changes in consumer tastes or may increase the royalties, fees or percentages that they charge us for their content, any of which could have a material negative effect on our operating results. Our rights to the content that we offer to our customers and their consumers are not exclusive, and the content providers could license their content to our competitors. Our content providers could even grant our competitors exclusive licenses. In addition, our customers are not prohibited from entering into content deals directly with our content providers. Any failure to enter into or maintain satisfactory arrangements with content providers would adversely affect our ability to provide a variety of attractive services and products to our customers. Our reputation and operating results could suffer as a result, and it may be more difficult for us to develop new relationships with potential customers.

Our Zimbra Email/Collaboration solution was developed as an open-source software product. As such, it may be relatively easy for competitors, some of which may have greater resources than we have, to compete with us.

One of the characteristics of open source software is that anyone may modify and redistribute the existing open source software and use it to compete with us. Such competition can develop without the degree of overhead and lead time required by traditional proprietary software companies. In addition, some of these competitors may make their open source software available for free download and use on an ad hoc basis or may position their open source software as a loss leader. We cannot guarantee that we will be able to compete successfully against current and future competitors or that competitive pressure and/or the availability of open source software will not result in price reductions, reduced operating margins and loss of market share, any one of which could adversely affect our business, financial condition, operating results and cash flows.

In 2016, we announced an initiative to promote support for our open source Zimbra Email/Collaboration solution with the expectation that the initiative would lead to increased maintenance, support and professional service revenue. There can be no assurance that this initiative will yield an increase in revenue.

Our revenue and operating results may fluctuate, which makes our results difficult to predict and could cause our results to fall short of expectations.

As a result of the rapidly changing nature of the markets in which we compete, our quarterly and annual revenue and operating results are likely to fluctuate from period to period. These fluctuations may be caused by a number of factors, many of which are beyond our control, including but not limited to the various factors set forth in this "Risk Factors" section, as well as:

- any failure to maintain strong relationships and favorable revenue-sharing arrangements with our Managed Portals and Advertising partners, in particular Google, including a reduction in the quantity or pricing of sponsored links that consumers click on or a reduction in the pricing of digital advertisements by advertisers;
- the timing of our investment in, or the timing of our monetization of, our products and services, such as our end-to-end video solutions portfolio or our Zimbra Email/Collaboration product;
- any failure of significant customers to renew their agreements with us;
- our ability to attract new customers;
- our ability to increase sales of premium services and paid content to our existing customers' consumers;
- any development by our significant customers of the in-house capacity to replace the solutions we provide;
- the release of new product and service offerings by our competitors or our customers;
- variations in the demand for our services and products and the implementation cycles of our services and products by our customers;
- changes to internet browser technology that may render our Managed Portals less competitive;
- changes in our pricing policies or those of our competitors;
- changes in the prices our customers charge their consumers for email, premium services and paid content;
- service outages, other technical difficulties or security breaches;
- limitations relating to the capacity of our networks, systems and processes;
- our failure to accurately estimate or control costs, including costs related to the implementation of our solutions for new customers;
- maintaining appropriate staffing levels and capabilities relative to projected growth;
- the timing of costs related to the development or acquisition of technologies, services or businesses to support our existing customers and potential growth opportunities; and
- general economic, industry and market conditions and those conditions specific to internet usage and online businesses.

For these reasons and because the market for our services and products is relatively new and rapidly changing, it is difficult to predict our future financial results.

Expansion into international markets, which is an important part of our strategy, but where we have limited experience, will subject us to risks associated with international operations.

We plan to continue to expand our product offerings internationally, particularly in Asia, Canada, Latin America and Europe. Although our exposure to and expertise in international markets have increased as a result of our acquisition of the Zimbra assets in September 2015, we still have limited experience in marketing and operating all of our services and products in international markets, and we may not be able to successfully develop or grow our business in these markets. Our success in these markets will be directly linked to the success of our relationships with potential customers, resellers, content partners and other third parties.

As the international markets in which we operate continue to grow, we expect that competition in these markets will intensify. Local companies may have a substantial competitive advantage because of their greater understanding of, and focus on, the local markets. Some of our domestic competitors who have substantially greater resources than we do may be able to more quickly and comprehensively develop and grow in international markets. International expansion may also require significant financial investment including, among other things, the expense of developing localized products, the costs of acquiring foreign companies and the integration of such companies with our operations, expenditure of resources in developing customer and content relationships and the increased costs of supporting remote operations.

Other risks of doing business in i nternational markets include the increased risks and burdens of complying with different legal and regulatory standards, difficulties in managing and staffing foreign operations, recruiting and retaining talented direct sales personnel, limitations on the repatriation of funds and fluctuations of foreign exchange rates, varying levels of internet technology adoption and infrastructure and our ability to enforce contracts and our intellectual property rights in foreign jurisdictions. In addition, our success in international expansion could be limited by barriers to international expansion such as tariffs, adverse tax consequences and technology export controls. If we cannot manage these risks effectively, the costs of doing business in some international mar kets may be prohibitive or our costs may increase disproportionately to our revenue. Some of our business partners also have international operations and are subject to the risks described above. Even if we are able to successfully manage the risks of inte rnational operations, our business may be adversely affected if our business partners are not able to successfully manage these risks.

Failure to comply with the United States Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences.

We are subject to the United States Foreign Corrupt Practices Act, which generally prohibits U.S. companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices may occur with respect to our expansion into international markets. Our employees or other agents may engage in such conduct for which we might be held responsible. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences, including adverse publicity and damage to our reputation that may have a material adverse effect on our business, financial condition and results of operations.

Our agreements with some of our customers and content providers require fixed payments, which could adversely affect our financial performance.

Certain of our agreements with Managed Portals and Advertising customers and content providers require us to make fixed payments to them. The aggregate amount of such fixed payments for the year ending December 31, 2017 is approximately $1.6 million. We are required to make these fixed payments regardless of the achievement of any revenue objectives or subscriber or usage levels. If we do not achieve our financial objectives, these contractual commitments would constitute a greater percentage of our revenue than originally anticipated and would adversely affect our profitability.

Our agreements with some of our customers and content providers contain penalties for non-performance, which could adversely affect our financial performance.

We have entered into service level agreements with many of our customers. These agreements generally call for specific system “up times” and 24 hours per day, seven days per week support and include penalties for non-performance. We may be unable to fulfill these commitments due to circumstances beyond our control, which could subject us to substantial penalties under those agreements, harm our reputation and result in a reduction of revenue or the loss of customers, which would in turn have an adverse effect on our business, financial condition and results of operations. To date, we have not incurred any material penalties.

In addition, certain of our agreements with customers contain penalties for certain types of non-performance which, if not timely rectified, could result in substantial financial penalties to us.

System failures or capacity constraints could harm our business and financial performance.

The provision of our services and products depends on the continuing operation of our information technology and communications systems. Any damage to or failure of our systems could result in interruptions in our service. Such interruptions could harm our business, financial condition and results of operations, and our reputation could be damaged if people believe our systems are unreliable. Our systems are vulnerable to damage or interruption from snow storms, terrorist attacks, floods, fires, power loss, telecommunications failures, security breaches, computer malware, computer hacking attacks, computer viruses, computer denial of service attacks or other attempts to, or events that, harm our systems. Our data centers are also subject to break-ins, sabotage and intentional acts of vandalism and to potential disruptions if the operators of the facilities have financial difficulties. Although we maintain insurance to cover a variety of risks, the scope and amount of our insurance coverage may not be sufficient to cover our losses resulting from system failures or other disruptions to our online operations. For example, the limit on our business interruption insurance is approximately $20 million for cyber loss ($38 million for physical loss). Any system failure or disruption and any resulting losses that are not recoverable under our insurance policies may materially harm our business, financial condition and results of operations. To date, we have never experienced any material losses.

Our data centers are not on full second-site redundancy, however we have the capability to do so; only certain customers require us to. We regularly back-up our systems and store the system back-ups in Atlanta, Georgia; Dallas, Texas; Lewis Center, Ohio; Denver, Colorado; Toronto, Canada; and Amsterdam, the Netherlands. If we were forced to relocate to an alternate site and to rely on our system back-ups to restore the systems, we would experience significant delays in restoring the functional ity of our platform and could experience loss of data, which could materially harm our business and our operating results.

Security breaches, computer viruses and computer hacking attacks could harm our business, financial condition and results of operations.

Security breaches, computer malware and computer hacking attacks are prevalent in the technology industry. Any security breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses could harm our business, financial condition and results of operations. We have previously experienced hacking attacks on our systems, and may in the future experience hacking attacks. Though it is difficult to determine what harm may directly result from any specific interruption or breach, any failure to maintain performance, reliability, security and availability of our technology infrastructure to the satisfaction of our customers and their consumers may harm our reputation and our ability to retain existing customers and attract new customers.

We may not maintain acceptable website performance for our Managed Portals and Advertising customers, which may negatively impact our relationships with our customers and harm our business, financial condition and results of operations.

A key element to our continued growth is the ability of our customers' consumers in all geographies to access our Managed Portals and other offerings within acceptable load times. We refer to this as website performance. We may in the future experience platform disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, capacity constraints due to an overwhelming number of users accessing our technology simultaneously, and denial of service or fraud or security attacks.

In some instances, we may not be able to identify the cause or causes of these website performance problems within an acceptable period of time. It may become increasingly difficult to maintain and improve website performance, especially during peak usage times, and as our solutions become more complex and our user traffic increases. If our Managed Portals and Advertising solutions are unavailable when consumers attempt to access them or do not load as quickly as they expect, consumers may seek other alternatives to obtain the information for which they are looking, and may not use our products and services as often in the future, or at all. This would negatively impact our relationships with our customers. We expect to continue to make significant investments to maintain and improve website performance. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business and operating results may be harmed.

We rely on our management team and need additional personnel to expand our business, and the loss of key officers or an inability to attract and retain qualified personnel could harm our business, financial condition and results of operations.

We depend on the continued contributions of our senior management and other key personnel, especially Himesh Bhise, our President and Chief Executive Officer, and William J. Stuart, our Chief Financial Officer. The loss of the services of any of our executive officers or other key employees could harm our business and our prospects. All of our executive officers and key employees are at-will employees, which means they may terminate their employment relationship with us at any time.

Our future success also depends on our ability to identify, attract and retain highly skilled technical, managerial, finance, marketing and creative personnel. Further, we will need to hire personnel outside the United States to continue to pursue an international expansion strategy, and we will need to hire additional advertising salespeople to sell more advertisements directly. We face intense competition for qualified individuals from numerous technology, marketing and media companies, and we may incur significant costs to attract them. We may be unable to attract and retain suitably qualified individuals, or we may be required to pay increased compensation in order to do so. If we were to be unable to attract and retain the qualified personnel we need to succeed, our business could suffer.

Volatility or lack of performance in the trading price of our common stock may also affect our ability to attract and retain qualified personnel. Many of our senior management personnel and other key employees have become, or will become, vested in a substantial amount of stock or stock options. Employees may be more likely to leave us if the shares they own or the shares underlying their options have significantly appreciated in value relative to the original purchase prices of the shares or the exercise prices of the options or if the exercise prices of the options that they hold are significantly above the trading price of our common stock. If we are unable to retain our employees, our business, financial condition and results of operations would be harmed.

If we fail to manage our growth effectively, our business, financial condition and results of operations may suffer.

Following the merger of our predecessor companies, Chek, Inc., or Chek, and MyPersonal.com, Inc., or MyPersonal, to form Synacor, much of our business expansion resulted from organic growth. More recently, however, we have sought to, and may continue to seek to, grow through strategic acquisitions. For example, in the first quarter of 2016, we acquired certain assets from Technorati, and in 2015, we acquired the Zimbra assets and certain assets of NimbleTV. Our goal of returning to growth may place significant demands on our management and our operational and financial infrastructure. Our ability to manage our growth effectively and to integrate new technologies and acquisitions (such as the assets acquired from Technorati, Zimbra, and NimbleTV) into our existing business will require us to continue to expand our operational, financial and management information systems and to continue to retain, attract, train, motivate and manage key employees. Growth could strain our ability to:

- develop and improve our operational, financial and management controls;
- enhance our reporting systems and procedures;
- recruit, train and retain highly skilled personnel;
- maintain our quality standards; and
- maintain customer and content owner satisfaction.

Managing our growth will require significant expenditures and allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business, financial condition and results of operations would be harmed.

We may expand our business through acquisitions of, or investments in, other companies or new technologies, or joint ventures or other strategic alliances with other companies, which may divert our management's attention or prove not to be successful.

In February 2016 we acquired substantially all of the assets of, and hired certain personnel from, Technorati; in 2015 we acquired the Zimbra assets and hired certain related personnel and we purchased assets from, and hired the personnel of, NimbleTV; and in March 2013, we entered into a joint venture in China. We may decide to pursue other acquisitions of, investments in, or joint ventures involving other technologies and businesses in the future. Such transactions could divert our management's time and focus from operating our business.

Our ability as an organization to integrate acquisitions is relatively unproven. Integrating an acquired company, business or technology is risky and may result in unforeseen operating difficulties and expenditures, including, among other things, with respect to:

- incorporating new technologies into our existing business infrastructure;
- consolidating corporate and administrative functions;
- coordinating our sales and marketing functions to incorporate the new business or technology;
- maintaining morale, retaining and integrating key employees to support the new business or technology and managing our expansion in capacity; and
- maintaining standards, controls, procedures and policies (including effective internal control over financial reporting and disclosure controls and procedures).

In addition, a significant portion of the purchase price of companies we may acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our earnings based on this impairment assessment process, which could harm our operating results.

Future acquisitions could result in potentially dilutive issuances of our equity securities, including our common stock, or the incurrence of debt, contingent liabilities, amortization expenses or acquired in-process research and development expenses, any of which could harm our business, financial condition and results of operations. Future acquisitions may also require us to obtain additional financing, which may not be available on favorable terms or at all.

Finally, our skill at investing our funds in illiquid securities issued by other companies, such as our investment in a privately held Delaware corporation called Blazer and Flip Flops, Inc., or B&FF (doing business as The Experience Engine), is untested.

Although we review the results and prospects of such investments carefully, it is possible that our investments could result in a total loss. Additionally, we will typically have little or no control in the companies in which we invest, and we will be forced to rely on the management of companies in which we invest to make reasonable and sound business decisions. If the companies in which we invest are not successfully able to manage the risks facing the m, such companies could suffer, and our own business, financial condition and results of operations could be harmed.

We may require additional capital to grow our business, and this capital may not be available on acceptable terms or at all.

The operation of our business and our growth strategy may require significant additional capital, especially if we were to accelerate our expansion and acquisition plans. For example, we invested approximately $8.2 million in 2016 in preparing to support AT&T as a customer, and we expect to invest an additional $2 million in 2017 in support of that goal. If the cash generated from operations and otherwise available to us is not sufficient to meet our capital requirements, we will need to seek additional capital, potentially through debt or equity financings, to fund our growth. We may not be able to raise needed capital on terms acceptable to us or at all. Financings, if available, may be on terms that are dilutive or potentially dilutive to our stockholders, and the prices at which new investors would be willing to purchase our securities may cause our existing stockholders to suffer substantial dilution. The holders of new securities may also receive rights, preferences or privileges that are senior to those of existing holders of our common stock. As with our credit facility with Silicon Valley Bank, any debt financing obtained by us in the future could contain financial or other covenants that may potentially restrict our operations, and if we do not effectively manage our business to comply with those covenants, our business, financial condition and results of operations could be adversely affected.

In addition, while we are in compliance at December 31, 2016 with the financial covenants contained in our credit facility with Silicon Valley Bank, our future financial performance, including our expected investments in start-up expenses, development expenses and capital expenditures associated with our contract with AT&T, may potentially cause us to become not in compliance with those covenants, possibly restricting our ability to continue to borrow under our credit facility.

If new or existing sources of financing are required but are insufficient or unavailable, we could be required to delay, abandon or otherwise modify our growth and operating plans to the extent of available funding, which would harm our ability to grow our business.

Our business depends, in part, on our ability to protect and enforce our intellectual property rights.

The protection of our intellectual property is critical to our success. We rely on copyright and service mark enforcement, contractual restrictions and trade secret laws to protect our proprietary rights. We have entered into confidentiality and invention assignment agreements with our employees and contractors, and nondisclosure agreements with certain parties with whom we conduct business to limit access to and disclosure and distribution of our proprietary information. Additionally, we have applied for patents to protect certain of our intellectual property. We have registered several marks and filed many other trademark applications in the U.S. We have not applied for copyright protection in any jurisdiction including in the U.S. However, if we are unable to adequately protect our intellectual property, it may be possible for a third party to copy or otherwise obtain and use our intellectual property without authorization, and, our business may suffer from the piracy of our technology and the associated loss in revenue.

Protecting against the unauthorized use of our intellectual property and other proprietary rights is expensive, difficult and, in some cases, impossible. The steps we take may not prevent misappropriation or infringement of our property rights. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could be costly and divert management resources, either of which could harm our business. Furthermore, many of our current and potential competitors have the ability to dedicate substantially greater resources to enforce their intellectual property rights than we do. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property.

We are not currently involved in any legal proceedings with respect to protecting our intellectual property; however, we may from time to time become a party to various legal proceedings with respect to protecting our intellectual property arising in the ordinary course of our business.

Any claims from a third party that we are infringing upon its intellectual property, whether valid or not, could subject us to costly and time-consuming litigation or expensive licenses or force us to curtail some services or products.

Companies in the internet and technology industries tend to own large numbers of patents, copyrights, trademarks and trade secrets, and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. We have been subject to claims that the presentation of certain licensed content on our Managed Portals infringes certain patents of a third party, none of which have resulted in material direct settlement or payments by us or any determination of infringement by us, and as we face increasing competition, the possibility of further intellectual property rights claims against us grows. Our technologies may not be able to withstand any third party claims or rights against their use. Any intellectual property claims, with or without merit, could be time-consuming, expensive to litigate or settle and could divert management resources and attention. An adver se determination also could prevent us from offering our services and products to others and may require that we procure substitute products or services for our customers.

In the case of any intellectual property rights claim, we may have to pay damages or stop using technology found to be in violation of a third party's rights. We may have to seek a license for the technology, which may not be available to us on reasonable terms and may significantly increase our operating expenses. The technology also may not be available for license to us at all. As a result, we may also be required to develop alternative non-infringing technology, which could require significant effort and expense. If we cannot license or develop technology for the infringing aspects of our business, we may be forced to limit our service and product offerings and may be unable to compete effectively. Any of these consequences could harm our operating results.

In addition, we typically have contractual obligations to our customers to indemnify and defend them with respect to third-party intellectual property infringement claims that arise from our customers' use of our products or services. Such claims, whether valid or not, could harm our relationships with our customers, have resulted and could result in the future in us or our customers having to enter into licenses with the claimants and have caused and could cause us in the future to incur additional costs or experience reduced revenue. To date, neither the increase in our costs nor any reductions in our revenue resulting from such claims have been material. Such claims could also subject us to costly and time-consuming litigation as well as diverting management attention and resources. Satisfying our contractual indemnification obligations could also give rise to significant liability, and thus harm our business and our operating results.

We are not currently subject to any material legal proceedings with respect to third party claims that we or our customers' use of our products and services are infringing upon their intellectual property; however, we may from time to time become a party to various legal proceedings with respect to such claims arising in the ordinary course of our business.

Any unauthorized disclosure or theft of personal information we gather could harm our reputation and subject us to claims or litigation.

We collect, and have access to, personal information of subscribers, including names, addresses, account numbers, credit card numbers and email addresses. Unauthorized disclosure of such personal information, whether through breach of our systems by an unauthorized party, employee theft or misuse, or otherwise, could harm our business. If there were an inadvertent disclosure of personal information, or if a third party were to gain unauthorized access to the personal information we possess, our operations could be seriously disrupted and we could be subject to claims or litigation arising from damages suffered by subscribers or our customers. In addition, we could incur significant costs in complying with the multitude of state, federal and foreign laws regarding the unauthorized disclosure of personal information. Finally, any perceived or actual unauthorized disclosure of the information we collect could harm our reputation, substantially impair our ability to attract and retain customers and have an adverse impact on our business.

We collect and may access personal information and other data, which subjects us to governmental regulation and other legal obligations related to privacy, and our actual or perceived failure to comply with such obligations could harm our business.

We collect, and have access to, personal information of subscribers, including names, addresses, account numbers, credit card numbers and email addresses. There are numerous federal, state and local laws, rules and guidelines around the world regarding privacy and the collection, storing, sharing, use, processing, disclosure, destruction and security of personal information and other subscriber data, the scope of which are changing, subject to differing interpretations, and may be inconsistent between countries or conflict with other rules. For example, the European Commission and the United States Department of Commerce recently designed a new program known as the EU-US Privacy Shield, or the Privacy Shield, which provides a mechanism for U.S. companies to comply with data protection requirements under the 1995 European Union Data Protection Directive when transferring personal information from the European Economic Area, or the EEA, to the United States. The Privacy Shield includes more stringent operational and legal requirements for parties processing EEA personal information and imposes significant penalties for non-compliance. We generally comply with industry standards and are subject to the terms of our privacy policies and privacy-related obligations to third parties (including voluntary third-party certification bodies such as TRUSTe). We strive to comply with all applicable laws, policies, legal obligations and industry codes of conduct relating to privacy and data protection to the extent possible. However, it is possible that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to users or other third parties, or our privacy-related legal obligations (including obligations in agreements with our customers), or any compromise of security that results in the unauthorized release or transfer of personal information or other subscriber data, may result in governmental enforcement actions, litigation or public statements against us by consumer advocacy groups or others and could cause our customers to lose trust in us, or, in some situations, terminate their agreements with us, which could have an adverse effect on our business. Additionally, if third parties we work with, such as customers, vendors or developers, violate applicable laws or our policies, such violations may also put subscriber information at risk and could in turn have an adverse effect on our business.

Any failure to convince advertisers of the benefits of advertising with us would harm our business, financial condition and results of operations.

We have derived and expect to continue to derive a substantial portion of our revenue from digital advertising, including advertising on our Managed Portals. Such advertising accounted for approximately 46%, 43%, and 36% of our revenue for the years ended December 31, 2016, 2015, and 2014, respectively. Our ability to attract and retain advertisers and, ultimately, to generate advertising revenue depends on a number of factors, including:

- increasing the numbers of consumers using our Managed Portals;
- maintaining consumer engagement on those Managed Portals;
- competing effectively for advertising spending with other online and offline advertising providers; and
- continuing to grow our direct advertising sales force and develop and diversify our advertising capabilities.

If we are unable to provide high-quality advertising opportunities and convince advertisers and agencies of our value proposition, we may not be able to retain existing advertisers or attract new ones, which would harm our business, financial condition and results of operations.

Migration of high-speed internet service providers' consumers from one high-speed internet service provider to another could adversely affect our business, financial condition and results of operations.

Consumers may become dissatisfied with their current high-speed internet service provider and may switch to another provider. In the event that there is substantial subscriber migration from our existing customers to service providers with which we do not have relationships, the fees that we receive on a per-subscriber basis, and the related revenue, including search and digital advertising revenue, could decline.

Our business and the trading price of our common stock may be adversely affected if our internal controls over financial reporting are found by management or by our independent registered public accounting firm not to be adequate.

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. In addition, Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, requires our management to evaluate and report on our internal control over financial reporting. This report contains, among other matters, an assessment of the effectiveness of our internal control over financial reporting as of the end of our fiscal year, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management. In addition, our independent registered public accounting firm may be required to formally attest to the effectiveness of our internal control over financial reporting beginning with the Annual Report on Form 10-K for the year in which we are no longer an "emerging growth company." At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are designed or operating.

While we have determined that our internal control over financial reporting was effective as of December 31, 2016, as indicated in our Management Report on Internal Control over Financial Reporting included in this Annual Report on Form 10-K, we must continue to monitor and assess our internal control over financial reporting. If our management identifies one or more material weaknesses in our internal control over financial reporting and such weakness remains uncorrected at fiscal year-end, we will be unable to assert such internal control is effective at fiscal year-end. If we are unable to assert that our internal control over financial reporting is effective at fiscal year-end, or if our independent registered public accounting firm, when required, is unable to express an opinion on the effectiveness of our internal controls or concludes that we have a material weakness in our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which would likely have an adverse effect on our business and stock price.

Even if we conclude our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles, or GAAP, because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations.

After the end of 2017, we will no longer be an "emerging growth company" as defined in the Jumpstart Our Business Startups ("JOBS") Act. If, at that time, we are also no longer a "smaller reporting company," then we will be required to comply with the auditor attestation requirements contained in Section 404, Any delay in compliance with the auditor attestation provisions of Section 404, when applicable to us, could subject us to a variety of administrative sanctions, including ineligibility for sh ort-form resale registration, action by the SEC, the suspension or delisting of our common stock and the inability of registered broker-dealers to make a market in our common stock, which would further reduce the trading price of our common stock and could harm our business.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited as a result of future transactions in our stock which may be outside our control.

As of December 31, 2016, we had substantial federal and state net operating loss carryforwards. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change net operating loss carryforwards to offset its post-change income and taxes may be limited. In general, an "ownership change" generally occurs if there is a cumulative change in our ownership by "five-percent stockholders" that exceeds 50 percentage points over a rolling three-year period. For these purposes, a five-percent stockholder is generally any person or group of persons that at any time during the applicable testing period has owned 5% or more of our outstanding stock. In addition, persons who own less than 5% of the outstanding stock are grouped together as one or more "public groups," which are also treated as five-percent stockholders. Similar rules may apply under state tax laws. We may experience ownership changes in the future as a result of future transactions in our stock, some of which may be outside our control. As a result, our ability to use our pre-change net operating loss carryforwards to offset United States federal and state taxable income and taxes may be subject to limitations.

Risks Related to Our Industry

The growth of the market for our services and products depends on the continued growth of the internet as a medium for content, advertising, commerce and communications.

Expansion in the sales of our services and products depends on the continued acceptance of the internet as a platform for content, advertising, commerce and communications. The acceptance of the internet as a medium for such uses could be adversely impacted by delays in the development or adoption of new standards and protocols to handle increased demands of internet activity, security, privacy protection, reliability, cost, ease of use, accessibility and quality of service. The performance of the internet and its acceptance as such a medium has been harmed by viruses, worms, and similar malicious programs, and the internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure. If for any reason the internet does not remain a medium for widespread content, advertising, commerce and communications, the demand for our services and products would be significantly reduced, which would harm our business.

The growth of the market for our services and products depends on the development and maintenance of the internet infrastructure.

Our business strategy depends on continued internet and high-speed internet access growth. Any downturn in the use or growth rate of the internet or high-speed internet access would be detrimental to our business. If the internet continues to experience significant growth in number of users, frequency of use and amount of data transmitted, the internet infrastructure might not be able to support the demands placed on it and the performance or reliability of the internet may be adversely affected. The success of our business therefore depends on the development and maintenance of a sound internet infrastructure. This includes maintenance of a reliable network backbone with the necessary speed, data capacity and security, as well as timely development of complementary products, such as routers, for providing reliable internet access and services. Consequently, as internet usage increases, the growth of the market for our products depends upon improvements made to the internet as well as to individual customers' networking infrastructures to alleviate overloading and congestion. In addition, any delays in the adoption of new standards and protocols required to govern increased levels of internet activity or increased governmental regulation may have a detrimental effect on the internet infrastructure.

A substantial majority of our revenue is derived from our Managed Portals and Advertising solutions; our revenue would decline if advertisers do not continue their usage of the internet as an advertising medium.

We have derived and expect to continue to derive a substantial majority of our revenue from search and digital advertising, including advertising on our Managed Portals. Such search and digital advertising revenue accounted for approximately 59%, 71% and 79% of our revenue for the years ended December 31, 2016, 2015 and 2014, or $74.9 million, $78.3 million, and $83.9 million respectively. However, the prospects for continued demand and market acceptance for internet advertising are uncertain. If advertisers do not continue to increase their usage of the internet as an advertising medium, our revenue would decline. Advertisers that have traditionally relied on other advertising media may not advertise on the internet. As the internet evolves, advertisers may find online advertising to be a less attractive or less effective means of promoting their services and products than traditional methods of advertising and may not continue to allocate funds for internet advertising. Many historical predictions by industry ana lysts and others concerning the growth of the internet as a commercial medium have overstated the growth of the internet and you should not rely upon them. This growth may not occur or may occur more slowly than estimated.

Most of our search revenue is based on the number of paid "clicks" on sponsored links that are included in search results generated from our Managed Portals. Generally, each time a consumer clicks on a sponsored link, the search provider that provided the commercial search result receives a fee from the advertiser who paid for such sponsored link and the search provider pays us a portion of that fee. We, in turn, typically share a portion of the fee we receive with our customer. If an advertiser receives what it perceives to be a large number of clicks for which it needs to pay, but that do not result in a desired activity or an increase in sales, the advertiser may reduce or eliminate its advertisements through the search provider that provided the commercial search result to us. This reaction would lead to a loss of revenue to our search providers and consequently to lesser fees paid to us, which would have a material negative effect on our financial results.

Market prices for online advertising may decrease due to competitive or other factors. In addition, if a large number of internet users use filtering software that limits or removes advertising from the users' view, advertisers may perceive that internet advertising is not effective and may choose not to advertise on the internet.

The market for internet-based services and products in which we operate is highly competitive, and if we cannot compete effectively, our sales may decline and our business may be harmed.

Competition in the market for internet-based services and products in which we operate is intense and involves rapidly changing technologies and customer and subscriber requirements, as well as evolving industry standards and frequent product introductions. Our competitors may develop solutions that are similar or superior to our technology. Our primary competitors include high-speed internet service providers with internal information technology staff capable of developing solutions similar to our technology. Other competitors include: Yahoo!; Google; AOL, a division of Verizon; and MSN, a division of Microsoft. Advantages some of our existing and potential competitors hold over us include the following:

- significantly greater revenue and financial resources;
- stronger brand and consumer recognition;
- the capacity to leverage their marketing expenditures across a broader portfolio of services and products;
- ability to offer their products at significantly lower prices or at no cost;
- more extensive proprietary intellectual property from which they can develop or aggregate content without having to pay fees or paying significantly lower fees than we do;
- pre-existing relationships with content providers that afford them access to content while blocking the access of competitors to that same content;
- pre-existing relationships with high-speed internet service providers that afford them the opportunity to convert such providers to competing services and products;
- lower labor and development costs; and
- broader global distribution and presence.

If we are unable to compete effectively or we are not as successful as our competitors in our target markets, our sales could decline, our margins could decline and we could lose market share, any of which would materially harm our business, financial condition and results of operations.

Government regulation of the internet continues to evolve, and new laws and regulations could significantly harm our financial performance.

Over time, we expect state, federal and international legislative bodies to continue to enact more stringent laws and regulations relating to the internet. The adoption or modification of laws related to the internet could harm our business, financial condition and results of operations by, among other things, increasing our costs and administrative burdens. Due to the increasing popularity and use of the internet, many laws and regulations relating to the internet are being debated at the international, federal and state levels, which are likely to address a variety of issues such as:

- user privacy and expression;
- ability to collect and/or share necessary information that allows us to conduct business on the internet;
- export compliance;
- pricing and taxation;
- fraud;
- advertising;
- intellectual property rights;
- consumer protection;
- protection of minors;
- content regulation;
- information security; and
- quality of services and products.

Several federal laws that could have an impact on our business have been adopted. For example, the Digital Millennium Copyright Act of 1998 reduces the liability of online service providers of third-party content, including content that may infringe copyrights or rights of others, but requires strict compliance with certain provisions to qualify for the safe harbor provisions; the Children's Online Privacy Protection Act imposes additional restrictions on the ability of online services to collect user information from minors under the age of 13; and the Protection of Children from Sexual Predators Act requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances.

It could be costly for us to comply with existing and potential laws and regulations, and they could harm our marketing efforts and our attractiveness to advertisers by, among other things, restricting our ability to collect demographic and personal information from consumers or to use or disclose that information in certain ways. If we were to violate these laws or regulations, or if it were alleged that we had, we could face private lawsuits, fines, penalties and injunctions and our business could be harmed.

Finally, the applicability to the internet and other online services of existing laws in various jurisdictions governing issues such as property ownership, sales and other taxes, libel and personal privacy is uncertain. Any new legislation or regulation, the application of laws and regulations from jurisdictions whose laws do not currently apply to our business, or the application of existing laws and regulations to the internet and other online services could also increase our costs of doing business, discourage internet communications, reduce demand for our services and expose us to substantial liability.

Increased regulation and industry standards related to internet privacy issues may prevent us from providing our current products and solutions to our customers, thereby harming our business.

The regulatory framework for privacy issues worldwide is currently in flux and is likely to remain so for the foreseeable future. Practices regarding the collection, use, storage, sharing, processing, disclosure, destruction and security of personal information by companies operating over the internet have come under increased public scrutiny and, as a result, there are an increasing number of regulations and industry standards that affect our business. Regulators, including the Federal Trade Commission and regulators in the EEA, have restricted and continue to restrict our ability to use personal information and therefore may limit or inhibit our ability to operate our business. In addition, many nations and economic regions have privacy protections that are more stringent or otherwise at odds with those in the United States. For example, the EEA traditionally has imposed stricter obligations and provided for more onerous penalties than the United States. Complying with new privacy and security requirements, whether imposed by regulation, contract or industry standard, will require additional expenditures and may result in a greater compliance burden for companies with users from the EEA.

We may incur expenses to comply with privacy and security standards and protocols imposed by law, regulation, industry standards or contractual obligations. Our business, including our ability to operate and expand inte rnationally, could be adversely affected if legislation or regulations are adopted, interpreted or implemented in a manner that is inconsistent with our current business practices and that require changes to these practices, our services or our privacy pol icies.

Risks Related to Ownership of Our Common Stock

Concentration of ownership among our directors and officers and their respective affiliates could limit our other stockholders' ability to influence the outcome of key corporate decisions, such as an acquisition of our company.

Our directors and executive officers and their respective affiliates, beneficially own or directly or indirectly control (including by voting proxy), as of March 16, 2017, approximately 28% of our outstanding common stock (including exercisable options). Additionally, shares beneficially owned by TZ Holdings as of March 16, 2017, representing approximately 11% of our outstanding common stock , are subject to a voting agreement pursuant to which all shares held by TZ Holdings shall be voted in the manner recommended by our Board of Directors. As a result, these stockholders, if they were to act together, would have the ability to influence significantly the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of our assets. In addition, these stockholders, if they act together, would have the ability to influence significantly the management and affairs of our company. Accordingly, this concentration of ownership might harm the trading price of our common stock by:

- delaying, deferring or preventing a change in our control;
- impeding a merger, consolidation, takeover or other business combination involving us;
- preventing the election of directors who are nominated by our stockholders; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

Our business could be negatively affected as a result of actions of stockholders or others.

In June and July 2014, entities associated with JEC Capital Partners and Ratio Capital Partners indicated, through filings with the Securities and Exchange Commission, that they each beneficially owned 4.9% of our outstanding shares of common stock. There can be no assurance that JEC Capital Partners, Ratio Capital Partners or another third party will not make an unsolicited takeover proposal in the future or take other action to acquire control of us or to otherwise influence our management and policies. If these entities or another entity do take control of 10% of our common stock, our stockholder rights plan could be triggered. Considering and responding to any future proposal is likely to result in significant additional costs to us, and future acquisition proposals, other stockholder actions to acquire control and the litigation that often accompanies them, if any, are likely to be costly and time-consuming and may disrupt our operations and divert the attention of management and our employees from executing our strategic plan.

Additionally, perceived uncertainties as to our future direction as a result of stockholder activism or actual or potential changes to the composition of our board of directors, may lead to the perception of a change in the direction of our business or other instability, which may be exploited by our competitors, cause concern to our current or potential customers, and make it more difficult to attract and retain qualified personnel. If customers choose to delay, defer or reduce their reliance on, the services we provide or do business with our competitors instead of us because of any such issues, then our business, operating results and financial condition would be adversely affected.

Future sales of our common stock may cause the trading price of our common stock to decline.

Certain of our stockholders who held shares of our preferred stock before the consummation of our public offering may be able to sell these shares in the public market without registration under Rule 144.

In addition, the shares that are either subject to outstanding options or warrants or that may be granted in the future under our equity plans will become eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements.

If a substantial number of any of these additional shares described are sold, or if it is perceived that a substantial number of such shares will be sold, in the public market, the trading price of our common stock could decline.

Some provis ions of our certificate of incorporation, bylaws and Delaware law and our stockholder rights plan may discourage, delay or prevent a merger or acquisition or prevent the removal of our current board of directors and management.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may discourage, delay or prevent a merger or acquisition or prevent the removal of our current board of directors and management. We have a number of anti-takeover devices in place that will hinder takeover attempts, including:

- our board of directors is classified into three classes of directors with staggered three-year terms;
- our directors may only be removed for cause, and only with the affirmative vote of a majority of the voting interest of stockholders entitled to vote;
- only our board of directors and not our stockholders will be able to fill vacancies on our board of directors;
- only our chairman of the board, our chief executive officer or a majority of our board of directors, and not our stockholders, are authorized to call a special meeting of stockholders;
- our stockholders will be able to take action only at a meeting of stockholders and not by written consent;
- our amended and restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval; and
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

These provisions and other provisions in our charter documents could discourage, delay or prevent a transaction involving a change in our control. Any delay or prevention of a change in control transaction could cause stockholders to lose a substantial premium over the then-current trading price of their shares. These provisions could also discourage proxy contests and could make it more difficult for our stockholders to elect directors of their choosing or to cause us to take other corporate actions such stockholders desire.

In addition, we are subject to Section 203 of the Delaware General Corporation Law, which, subject to some exceptions, prohibits “business combinations” between a Delaware corporation and an “interested stockholder,” which is generally defined as a stockholder who becomes a beneficial owner of 15% or more of a Delaware corporation’s voting stock, for a three-year period following the date that the stockholder became an interested stockholder. Section 203 could have the effect of delaying, deferring or preventing a change in control that our stockholders might consider to be in their best interests.

Finally, on July 14, 2014 we implemented a stockholder rights plan, also called a poison pill, which may have the effect of discouraging or preventing a change of control of us by, among other things, making it uneconomical for a third-party to acquire us on a hostile basis. We expect this plan will expire on July 14, 2017 in accordance with its terms.

We have not paid cash dividends on our capital stock, and we do not expect to do so in the foreseeable future.

We have not historically paid cash dividends on our capital stock, and we have agreed not to pay any dividends or make any other distributions in our loan agreement with Silicon Valley Bank. We anticipate that we will retain all future earnings and cash resources for the future operation and development of our business, and as a result, we do not anticipate paying any cash dividends to holders of our capital stock for the foreseeable future. Any future determination regarding the payment of any dividends will be made at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, general business conditions, bank covenants and other factors that our board may deem relevant. Consequently, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

The trading price and volume of our common stock has been and will likely continue to be volatile, and the value of an investment in our common stock may decline.

The trading price of our common stock has been, and is likely to continue to be, volatile and could decline substantially within a short period of time. For example, since shares of our common stock were sold in our initial public offering in February 2012 at a price of $5.00 per share through the close of business on March 16, 2017, our trading price has ranged from $1.03 to $18.00. The trading price of our common stock may be subject to wide fluctuations in response to various factors, some of which are beyond our control, including but not limited to the various factors set forth in this "Risk Factors" section, as well as:

- variations in our financial performance;
- announcements of technological innovations, new services and products, strategic alliances, asset acquisitions, or significant agreements by us or by our competitors, including, for example, the agreement we entered into with AT&T in May 2016 to provide desktop and mobile portal solutions;
- changes in the estimates of our operating results or changes in recommendations or withdrawal of research coverage by securities analysts;
- market conditions in our industry, the industries of our customers and the economy as a whole; and
- adoption or modification of laws, regulations, policies, procedures or programs applicable to our business or announcements relating to these matters.

In addition, if the market for technology stocks or the stock market in general experiences loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or results of operations. The trading price of our common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Some companies that have had volatile market prices for their securities have had securities class actions filed against them. Such a suit filed against us, regardless of its merits or outcome, could cause us to incur substantial costs and could divert management's attention.

If securities or industry analysts do not publish research or reports about our company, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

The requirements of being a public company, including increased costs and demands upon management as a result of complying with federal securities laws and regulations applicable to public companies, may adversely affect our financial performance and our ability to attract and retain directors.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, and the rules and regulations of The Nasdaq Global Market. The Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC and Nasdaq, impose additional requirements on public companies, including enhanced corporate governance practices. For example, the Nasdaq listing requirements require that listed companies satisfy certain corporate governance requirements relating to independent directors, audit committees, distribution of annual and interim reports, stockholder meetings, stockholder approvals, solicitation of proxies, conflicts of interest, stockholder voting rights and codes of business conduct. Our management team has limited experience managing a publicly-traded company or complying with the increasingly complex laws pertaining to public companies. In addition, most of our current directors have limited experience serving on the boards of public companies.

The requirements of these rules and regulations have increased and will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time-consuming and costly and may also place undue strain on our personnel, systems and resources. Our management and other personnel must devote a substantial amount of time to these requirements. These rules and regulations will also make it more difficult and more expensive for us to maintain directors' and officers' liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to maintain coverage. If we are unable to maintain adequate directors' and officers' insurance, our ability to recruit and retain qualified directors, especially those directors who may be considered independent for purposes of Nasdaq rules, and officers may be significantly curtailed.

ITEM 1B. UNRESOLVE D STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located at 40 La Riviere Drive, Buffalo, New York 14202. We lease approximately 31,000 square feet of office space at this address pursuant to a sublease agreement that expires in November 2018.

We also maintain administrative and product development offices in New York, New York; Toronto and Ottawa, Ontario, Canada; Westford, Massachusetts; Frisco, Texas; Los Angeles and San Francisco, California; Pune, India; London, United Kingdom; Tokyo, Japan; Paris, France; and Singapore. Our data centers are located in Atlanta, Georgia; Dallas, Texas; Lewis Center, Ohio; Denver, Colorado, Toronto, Canada and Amsterdam, The Netherlands.

We believe that our facilities are adequate to meet our current needs and that suitable additional or substitute space will be available as needed.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We are not presently involved in any legal proceedings, the outcome of which, if determined adversely to us, would be expected to have a material adverse effect on our business, results of operations or financial condition.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock has been listed on The Nasdaq Global Market, or Nasdaq, under the symbol "SYNC" since February 10, 2012.

The following table sets forth, for the indicated periods, the high and low sales prices per share by quarter for our common stock as reported by Nasdaq.

Fiscal Year 2016 Quarters Ended:	High	Low
March 31, 2016	$ 1.95	$ 1.38
June 30, 2016	$ 3.98	$ 1.33
September 30, 2016	$ 3.34	$ 2.51
December 31, 2016	$ 3.40	$ 2.65
Fiscal Year 2015 Quarters Ended:		
March 31, 2015	$ 2.83	$ 1.95
June 30, 2015	$ 2.64	$ 1.58
September 30, 2015	$ 1.88	$ 1.03
December 31, 2015	$ 1.88	$ 1.29

Holders of Record

As of March 16, 2017, there were 159 holders of record of our common stock. The number of holders of record of our common stock does not reflect the number of beneficial holders whose shares are held by depositors, brokers or other nominees.

Dividend Policy

We have never declared or paid cash dividends on our common stock. It is our policy to retain earnings to finance the growth and development of our business and, therefore, we do not anticipate paying any dividends in the foreseeable future. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on the existing conditions, including our financial condition, operating results, applicable Delaware law, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant. For example, our loan and security agreement with Silicon Valley Bank restricts our ability to pay any dividends. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

Securities Authorized for Issuance under Equity Compensation Plans

The information required to be disclosed by Item 201(d) of Regulation S-K regarding our equity securities authorized for issuance under our equity incentive plans is incorporated herein by reference to the section entitled "Securities Authorized for Issuance Under Equity Compensation Plans" in our definitive Proxy Statement for our Annual Meeting of Stockholders to be filed with the Commission within 120 days after the end of fiscal year 2016 pursuant to Regulation 14A.

Recent Sales of Unregistered Securities

None.

Use of Proceeds

Not applicable.

Issuer Purchases of Equity Securities

None.

ITEM 6. SELECTE D FINANCIAL DATA

You should read the following selected consolidated historical financial data below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements, related notes and other financial information included in this Annual Report on Form 10-K. The selected consolidated financial data in this section is not intended to replace the financial statements and is qualified in its entirety by the financial statements and related notes included in this Annual Report on Form 10-K.

We derived the selected consolidated financial data for the years ended December 31, 2016, 2015, and 2014 and as of December 31, 2016 and 2015 from our audited consolidated financial statements and related notes, which are included in this Annual Report on Form 10-K. We derived the selected consolidated financial data for the years ended December 31, 2013 and 2012 and as of December 31, 2014, 2013 and 2012 from our audited consolidated financial statements and related notes, which are not included in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of the results to be expected in the future.

	Year Ended December 31, (in thousands except share and per share data)				
	2016	2015 (4)	2014	2013	2012
Consolidated Statements of Operations Data:					
Revenue	$ 127,373	$ 110,245	$ 106,579	$ 111,807	$ 121,981
Costs and operating expenses:					
Cost of revenue (1)	59,146	54,423	57,939	59,622	66,620
Technology and development (1)(2)	25,612	20,007	26,259	28,458	25,603
Sales and marketing (2)	22,846	16,272	10,807	8,124	9,120
General and administrative (1)(2)	19,695	15,543	14,249	11,663	11,011
Depreciation and amortization	9,235	6,901	5,126	4,650	3,779
Gain on sale of domain	—	—	(1,000)	—	—
Total costs and operating expenses	136,534	113,146	113,380	112,517	116,133
(Loss) income from operations	(9,161)	(2,901)	(6,801)	(710)	5,848
Other (expense) income	(42)	(16)	(28)	(37)	1
Interest expense	(318)	(245)	(218)	(193)	(270)
(Loss) income before income taxes	(9,521)	(3,162)	(7,047)	(940)	5,579
Provision (benefit) for income taxes	1,219	239	4,821	(134)	1,764
Loss in equity interest	—	(73)	(1,063)	(561)	—
Net (loss) income	$ (10,740)	$ (3,474)	$ (12,931)	$ (1,367)	$ 3,815
Net (loss) income per share:					
Basic	$ (0.36)	$ (0.12)	$ (0.47)	$ (0.05)	$ 0.16
Diluted	$ (0.36)	$ (0.12)	$ (0.47)	$ (0.05)	$ 0.14
Weighted average shares used to compute net (loss) income per share:					
Basic	30,251,685	28,213,838	27,389,793	27,306,882	24,411,194
Diluted	30,251,685	28,213,838	27,389,793	27,306,882	28,097,313
Other Financial Data:					
Adjusted EBITDA (3)	$ 3,179	$ 7,593	$ 2,180	$ 6,501	$ 11,626

Notes:

(1) Exclusive of depreciation and amortization shown separately.

(2) Includes stock-based compensation as follows:

	Year Ended December 31, (in thousands)				
	2016	2015	2014	2013	2012
Technology and development	$ 921	$ 936	$ 1,621	$ 1,184	$ 523
Sales and marketing	784	942	599	348	404
General and administrative	1,066	1,237	1,375	1,029	1,072
	$ 2,771	$ 3,115	$ 3,595	$ 2,561	$ 1,999

(3) We define adjusted EBITDA as net (loss) income plus: provision (benefit) for income taxes, interest expense , other (income) expense, depreciation, asset impairments, loss in equity interest, stock-based compensation, acquisition costs and certain one-time items. Please see “Adjusted EBITDA” below for more information and for a reconciliation of adjusted EBITDA to net (loss) income, the most directly comparable financial measure calculated and presented in accordance with GAAP.

(4) Results for 2015 include the results of operations relating to the acquired Zimbra assets since the closing of the acquisition in September 2015.

	As of December 31,				
	2016	2015	2014	2013	2012
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 14,315	$ 15,697	$ 25,600	$ 36,397	$ 41,944
Accounts receivable, net	27,386	24,341	20,479	14,569	15,624
Property and equipment, net	14,406	14,377	15,128	14,085	11,043
Total assets	93,399	89,026	66,238	74,789	76,330
Long-term debt and capital lease obligations	6,996	7,581	1,383	885	1,712
Total stockholders’ equity	39,649	46,104	42,482	52,231	50,811

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we have disclosed within this Annual Report on Form 10-K adjusted EBITDA, a non-GAAP financial measure. We have provided a reconciliation below of adjusted EBITDA to net income (loss), the most directly comparable GAAP financial measure.

We have included adjusted EBITDA in this Annual Report on Form 10-K because it is a key measure used by our management and board of directors to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget and to develop short and long-term operational plans. In particular, the exclusion of certain expenses in calculating adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. Additionally, adjusted EBITDA is a key financial measure used by the compensation committee of our board of directors in connection with the payment of bonuses to our executive officers. Accordingly, we believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

Our use of adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- although depreciation and asset impairments are non-cash charges, the assets being depreciated or impaired may have to be replaced in the future, and adjusted EBITDA does not reflect capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not consider the potentially dilutive impact of equity-based compensation;
- adjusted EBITDA does not reflect the impact of tax payments that may represent a reduction in cash available to us;
- adjusted EBITDA does not reflect the impact of the cost of business acquisitions on the cash available to us;
- adjusted EBITDA does not reflect the impact of non-recurring items, such as the costs associated with reductions in workforce, on the cash available to us: and
- other companies, including companies in our industry, may calculate adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider adjusted EBITDA alongside other financial performance measures, including various cash flow m etrics, net (loss) income and our other GAAP results. The following table presents a reconciliation of adjusted EBITDA to net (loss) income for each of the periods indicated:

	Year Ended December 31,				
	2016	2015	2014	2013	2012
			(in thousands)		
Reconciliation of Adjusted EBITDA:					
Net (loss) income	$ (10,740)	$ (3,474)	$ (12,931)	$ (1,367)	$ 3,815
Provision (benefit) for income taxes	1,219	239	4,821	(134)	1,764
Interest expense	318	245	218	193	270
Other expense (income) (1)	42	16	28	37	(1)
Depreciation and amortization	9,235	6,901	5,126	4,650	3,779
Capitalized software impairment	334	—	—	—	—
Loss in equity interest	—	73	1,063	561	—
Stock-based compensation expense	2,771	3,115	3,595	2,561	1,999
Gain on sale of domain	—	—	(1,000)	—	—
Reduction in workforce severance and related costs	—	—	1,260	—	—
Acquisition costs	—	478	—	—	—
Adjusted EBITDA	$ 3,179	$ 7,593	$ 2,180	$ 6,501	$ 11,626

Note:

(1) Other expense (income) consists primarily of interest income earned and foreign exchange gains and losses.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our results of operations and financial condition should be read in conjunction with the information set forth in "Selected Financial Data" and our financial statements and the notes thereto included in this Annual Report on Form 10-K. This discussion contains forward-looking statements based upon our current expectations, estimates and projections that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements due to, among other considerations, the matters discussed under "Risk Factors" and "Special Note Regarding Forward-Looking Statements."

Overview

We enable our customers to better engage with their consumers. Our customers include video, internet and communications providers, device manufacturers, governments and enterprises. We are their trusted technology development, multiplatform services and revenue partner. Our customers use our technology platforms and services to deepen their subscriber relationships.

We generate revenue from consumer traffic on our Managed Portals, which we collect from our search partner, Google Inc., or Google, our advertising network providers and directly from advertisers. We typically share a portion of this search and digital advertising revenue with our customers. We also generate Recurring and Fee-Based revenue for the use of our technology, email/collaboration, premium services and paid content. Growth in our business is dependent on expansion of relationships with our existing customers and new customers adopting our solutions and their respective consumers' use of our Managed Portals ramping up as described below. Since our acquisition of the Zimbra assets in September 2015, we generate revenue from the licensing and distribution of our Email/Collaboration products and services, including perpetual licenses, and we generate recurring revenue in the form of maintenance and support fees as well. As we expand our Cloud ID, syndicated content and Email/Collaboration offerings, we expect to generate increased Recurring and Fee-Based revenue from our customers.

During 2016, Managed Portals and Advertising revenue was $74.9 million, a decrease of 4% compared to $78.3 million in 2015. Search revenue decreased by $15.4 million, or 49%, in 2016 compared to 2015. We believe the decrease was due to lower search activity associated with the increased usage of competitor search tools on other devices, such as tablets and smartphones, generally across the consumer base. In addition, a portion of the decrease was due to the residual effect of the placement of our Managed Portals on the second tab of the default Windows 8 internet browser by our consumer electronics customers. Further, upgrades to the Windows 10 operating system default to Microsoft's latest Edge browser and displace users' previous browser settings including default homepages, which can also lead to decreased search and digital advertising revenue.

We anticipate that search activity and our search revenue will increase in 2017 when our AT&T portal services are deployed. In addition, we anticipate search activity will increase on smartphones and tablets in the future and we believe our continuing investment in our next-generation Managed Portals and Advertising solutions will allow us to compete more effectively for search activity on smartphones and tablets.

Digital advertising revenue increased by $12.0 million, or 26%, in 2016 compared to 2015. We believe this increase was due primarily to increased syndicated advertising activity, particularly as a result of our acquisition of Technorati in February 2016.

We anticipate video advertising will continue to become an increasing percentage of our advertising revenue which may also serve to increase our advertising cost-per-thousand impressions (referred to as cost per mille, or CPMs). We also anticipate that the signing and launching of new customers, particularly our pending launch of the AT&T portal, and our mobile product initiatives may help add new search and digital advertising revenue in future years.

Our Recurring and Fee-Based revenue consists of fees charged for the use of our proprietary technology and for the use of, or access to, services, which consisted primarily of our Email/Collaboration and professional services products such as security, Cloud ID, online games, music and other premium services and paid content. In addition, we also generate revenue from the licensing and distribution of our Email/Collaboration products and services, including perpetual licenses and recurring revenue in the form of subscriber maintenance and support fees. During 2016, Recurring and Fee-Based revenue was $52.4 million, an increase of 64% from $31.9 million in 2015. This increase was primarily driven by growth in the hosting and management of our email product, sales of the Zimbra Email/Collaboration product and services, and increasing adoption of our Cloud ID services by our customers. Our 2016 results include a full year of revenue and expenses relating to the Zimbra Email/Collaboration product and services, as compared with 2015 which included only 3-1/2 months of revenue and expenses. We believe there are opportunities to generate new sources of Recurring and Fee-Based revenue, such as by selling solutions that generate Recurring and Fee-Based revenue into the customer base we obtained as part of the acquisition of the Zimbra assets.

As we obtain new customers and those new cu stomers introduce our Managed Portals and Advertising solutions to their consumers, we expect usage of our solutions and revenue from our Managed Portals and Advertising solutions to increase over time. There are a variety of reasons for this ramp-up proce ss. For example, a new customer may migrate its consumers from its existing technology to our technology over a period of time. Moreover, a new customer may initially launch a selection of our services and products, rather than our entire suite of offering s and subsequently broaden their service and product offerings over time. When a customer launches a new service or product, marketing and promotional activities may be required to generate awareness and interest among consumers.

Revenue attributable to our customers includes the Recurring and Fee-Based revenue earned directly from them, as well as the search and digital advertising revenue generated through our relationships with our search and digital advertising partners (such as Google for search advertising and advertising networks, advertising agencies and advertisers for digital advertising). This revenue is attributable to our customers because it is produced from the traffic on our Managed Portals. These search and advertising partners provide us with advertisements that we then deliver with search results and other content on our Managed Portals. Since our search advertising partner, Google, and our advertising network partners generate their revenue by selling those advertisements, we create a revenue stream for these partners. In 2016, revenue attributable to one customer accounted for approximately 16% of our revenue, or $20.8 million. In 2016 search advertising through our relationship with Google generated approximately 12% of our revenue, or $15.9 million (all of which was attributable to our customers).

The initiatives described below under “Key Initiatives” are expected to contribute to our ability to maintain and grow revenue and return to profitability via increases in advertising revenue, increases in customers and our consumer reach, and increases in availability of products across more devices. We expect the period in which we experience a return on future investments in each of these initiatives to differ. For example, more direct advertising at higher CPMs would be expected to have an immediate and direct impact on profitability while expansion into international markets may require an investment that involves a longer term return.

Trends Affecting Our Business

Our customers, predominantly high-speed internet service providers that also offer television services, are facing increasing competition from companies that deliver video content over the internet, more commonly referred to as “over-the-top,” or OTT. These new competitors include a number of large and growing companies, such as Google, Netflix, Inc., or Netflix, Hulu, LLC, or Hulu, and Amazon.com Inc., or Amazon. With the increased availability of high-speed internet access and over-the-top programming, consumers’ video content consumption preferences may shift away from current viewing habits.

As a result, many of our customers and potential customers are compelled to find new ways to deliver services and content to their consumers via the internet. We expect this pressure to become even greater as more video content becomes available online. We expect to continue to benefit from this trend as customers adopt our solutions to package and deliver video programming and other related authentication services on our Managed Portals.

Another trend affecting our customers and our business is the proliferation of internet-connected devices, especially mobile devices. Smartphones, tablets and connected TVs have made it more convenient for consumers to access services and content online, including television programming. To remain competitive, our customers and potential customers must have the capability to deliver their services and products to consumers on these new devices. Our technology enables them to extend their presence beyond traditional personal computers, and we expect that some portion of our revenue growth will come from traffic on these devices.

Our business is also affected by growth in advertising on the internet, for which the proliferation of high-speed internet access and internet-connected devices will be the principal drivers. We believe we have experienced a decline in search advertising revenue based on consumers’ internet searching habits increasingly transitioning to mobile devices. However, we expect that the launch of the AT&T portal will result in an increase in search advertising revenue. In addition, we believe there continue to be growth opportunities for advertising related to the video, images and text on our Managed Portals and hosted email/collaboration products. We expect our results of operations will benefit from the growth in the number of mobile internet users as our customers adopt our mobile and tablet offerings.

We continue to be impacted by consumer electronics customers that have the Windows 8 and Windows 10 operating systems pre-installed on their laptop or desktop computers; our Managed Portals are placed on a second tab when the Windows 8 internet browser is launched, and in certain instances, without our Google search bar. Further, upgrades to the Windows 10 operating system default to Microsoft’s latest Edge browser and displace users’ previous browser settings including default homepages, which can also lead to decreased search and digital advertising revenue. Unless consumers change their browser settings back to our Managed Portals, their usage of our Managed Portals would likely decline and our results of operations could be negatively impacted. These Windows updates have caused us to reduce our revenue expectations from our consumer electronics customers.

Key Initiatives

Our strategy is supported by four key pillars to drive our business, with operational discipline and sound financial footing as its base. We plan to:

- increase value for existing customers by optimizing consumer experience and monetization;
- innovate on Synacor-as-a-platform for advanced services;
- win new customers in current and related verticals; and
- extend our product portfolio into emerging growth areas.

Key Business Metrics

In addition to the line items in our financial statements, we review the number of Multiplatform Unique Visitors – Managed Portal and Multiplatform Unique Visitors – Ad Network to evaluate our business, determine the allocation of resources and make decisions regarding business strategies. We believe disclosing these metrics is useful for investors and analysts to understand the underlying trends in our business. The following table reflects the number of multiplatform unique visitors for the years ended December 31, 2016, 2015 and 2014:

	Year Ended December 31,		
	2016	2015	2014
Multiplatform Unique Visitors:			
Managed Portal	19,552,939	20,902,492	20,868,428
Ad network	188,858,408	-	-
Total	208,411,347	20,902,492	20,868,428

We define Multiplatform Unique Visitors – Managed Portal as consumers who have visited one of our Managed Portals from either mobile or desktop sources at least once, computed on an average monthly basis during a particular time period. As the number of Multiplatform Unique Visitors – Managed Portal increases, we expect that we will generate additional revenue from our Managed Portals and Advertising solutions. We rely on comScore to provide this data. comScore estimates this data based on the U.S. portion of the internet activity of its worldwide panel of consumers and its proprietary data collection method. In addition, following the acquisition of the Technorati media solutions platform in 2016 we have begun tracking Multiplatform Unique Visitors – Ad Network, which reflects the number of multiplatform unique visitors through our advertising network as a key business metric. We define Multiplatform Unique Visitors – Ad Network as the number of consumers who have viewed an advertisement through our advertising network, computed on an average monthly basis during a particular time period. As the number of Multiplatform Unique Visitors – Ad Network increases, we expect that we will generate additional digital advertising revenue.

Components of our Results of Operations

Revenue

We derive our revenue from two categories: revenue generated from search and digital advertising activities and Recurring and Fee-Based revenue, each of which is described below. The following table shows the revenue in each category, both in amount and as a percentage of revenue, for 2016, 2015 and 2014.

	Year Ended December 31,		
	2016	2015	2014
		(in thousands)	
Revenue:			
Search and digital advertising	$ 74,889	$ 78,316	$ 83,906
Recurring and fee-based	52,484	31,929	22,673
Total revenue	$ 127,373	$ 110,245	$ 106,579
Percentage of revenue:			
Search and digital advertising	59%	71%	79%
Recurring and fee-based	41	29	21
Total revenue	100%	100%	100%

Search and Digital Advertising Revenue

We use internet advertising to generate revenue from the traffic on our Managed Portals and Advertising solutions, categorized as search advertising and digital advertising.

- In the case of search advertising, we have a revenue-sharing relationship with Google, pursuant to which we include a Google-branded search tool on our Managed Portals. When a consumer makes a search query using this tool, we deliver the query to Google and they return search results to consumers that include advertiser-sponsored links. If the consumer clicks on a sponsored link, Google receives payment from the sponsor of that link and shares a portion of that payment with us. The net payment we receive from Google is recognized as revenue.
- Digital advertising includes video, image and text advertisements delivered on one of our Managed Portals. Advertising inventory is filled with advertisements sourced by our direct sales force, independent advertising sales representatives and advertising network partners. Revenue is generated for us when an advertisement displays, otherwise known as an impression, or when consumers view or click an advertisement, otherwise known as an action. Digital advertising revenue is calculated on a cost per impression or cost per action basis. Revenue is recognized based on amounts received from advertising customers as the impressions are delivered or the actions occur, according to contractually-determined rates.

Recurring and Fee-Based Revenue

Recurring and Fee-Based revenue includes subscription fees and other fees that we receive from customers for the use of our proprietary technology, including the use of, or access to, email, Cloud ID, security services, games and other premium services and paid content. Monthly subscriber levels typically form the basis for calculating and generating Recurring and Fee-Based revenue. They are generally determined by multiplying a per-subscriber per-month fee by the number of subscribers using the particular services being offered or consumed. In other cases, the fee is fixed. Revenue earned as subscription fees and maintenance and support fees is recognized from customers as the service is delivered.

Revenue is also recognized from the licensing and distribution of our Email/Collaboration products and services, including perpetual licenses. Revenue from perpetual licenses is recognized upon execution of the contract, and when all other criteria have been met.

Costs and Expenses

Cost of Revenue

Cost of revenue consists primarily of revenue sharing, content acquisition costs, co-location facility costs, royalty costs, and product support costs. Revenue sharing consists of amounts accrued and paid to customers for the internet traffic on Managed Portals we operate on our customers' behalf and where we are the primary obligor, resulting in the generation of search and digital advertising revenue. The revenue-sharing agreements with customers are primarily variable payments based on a percentage of the search and digital advertising revenue. Content-acquisition agreements may be based on a fixed payment schedule, on the number of subscribers per month, or a combination of both. Fixed-payment agreements are expensed on a straight-line basis over the term defined in the agreement. Agreements based on the number of subscribers are expensed on a monthly basis. Co-location facility costs consist of rent and operating costs for our data center facilities. Royalty costs consist of amounts due to other parties for license of email software with third party technology enabled. Product support costs consist of employee and operating costs directly related to our maintenance and professional services support.

Technology and Development

Technology and development expenses consist primarily of compensation-related expenses incurred for the research and development of, enhancements to, and maintenance and operation of our products, equipment and related infrastructure. Technology and development expenses also include certain costs of operating data centers domestically and internationally.

Sales and Marketing

Sales and marketing expenses consist primarily of compensation-related expenses to our direct sales and marketing personnel, as well as costs related to advertising, industry conferences, promotional materials and other sales and marketing programs. Advertising cost is expensed as incurred.

General and Administrative

General and administrative expenses consist primarily of compensation-related expenses for executive management, finance, accounting, human resources, professional fees and other administrative functions.

Depreciation and Amortization

Depreciation and amortization includes depreciation and amortization of our computer hardware and software, including our capitalized internally-developed software, furniture and fixtures, intangible assets, leasehold improvements and other property, as well as depreciation on capital leased assets.

Gain on Sale of Domain

Gain on sale of domain was unique to 2014. The proceeds collected from the sale of an internet domain were recognized as a gain in their entirety.

Other Expense

Other expense consists primarily of foreign exchange gains and losses, net of interest income earned.

Interest Expense

Interest expense primarily consists of interest on bank debt and capital leases.

Provision for Income Taxes

Income tax provision consists of federal and state income taxes in the United States and taxes in certain foreign jurisdictions, as well as any changes to deferred tax assets or liabilities, and deferred tax valuation allowances. Our income tax provision includes amounts withheld for payment of income taxes upon payment of our invoices by our customers in certain foreign jurisdictions. Those amounts increase the amount of our foreign tax credit which would defray our U.S. tax liability if we were presently a U.S. taxpayer. However, because the deferred income tax assets relating to our federal tax attributes, including our foreign tax credits, are fully reserved, any such foreign tax withholdings are charged to our income tax provision.

Loss in Equity Interest

Loss in equity interest represents our percentage share of losses in investments in entities in which we can exercise significant influence, but do not own a majority equity interest or otherwise control.

Critical Accounting Policies

The preparation of consolidated financial statements in conformity with U.S. GAAP requires estimates and assumptions that affect the reported amounts and classifications of assets and liabilities, revenue and expenses, and the related disclosures of contingent liabilities in the financial statements and accompanying notes. The SEC has defined a company's critical accounting policies as the ones that are most important to the portrayal of the company's financial condition and results of operations, and which require the company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, we have identified the following critical accounting policies and estimates addressed below. We also have other key accounting policies, which involve the use of estimates, judgments, and assumptions that are significant to understanding our results. See Note 1, *The Company and Summary of Significant Accounting Policies* , of the Notes to the Consolidated Financial Statements. Although we believe that our estimates, assumptions, and judgments are reasonable, they are based upon information available at the time. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions.

Revenue Recognition

We recognize revenue when the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred; the selling price is fixed or determinable; and collectability is reasonably assured.

The terms of our arrangements with our customers, Google and our advertising network partners are specified in written agreements. These written agreements constitute the persuasive evidence of the arrangements with our customers that are a pre-condition to the recognition of revenue. The evidence used to document that delivery or performance has occurred generally consists of communication of either numbers of subscribers or the revenue generated in a reporting period from customers, advertising partners, vendors and our own internally-generated reports. Occasionally, a customer will notify us of subsequent adjustments to previously reported subscriber data. These adjustmen ts, once accepted by us, will result in adjustments to revenue and cost of revenue. The historical occurrences of such adjustments, and the amounts involved, have not been significant.

Although prices used in our revenue recognition formulas are generally fixed pursuant to the written arrangements with our customers, Google and our advertising network partners, the number of subscribers or the amount of search and digital advertising revenue that are subject to our pricing arrangements are not known until the reporting period has ended. Although this data is, in most cases, available prior to the completion of our periodic financial statements, this data may need to be estimated. When made, these estimates are based upon our historical experience with the relevant party. Adjustments to these estimates have historically not been significant. The receipt of this volume data also serves to verify that we have appropriately satisfied our obligation to our customers for that reporting period. Adjustments are recorded in the period in which the data is received.

Certain Recurring and Fee-Based revenue is derived from the sale of software licenses on a perpetual or subscription basis, for which revenue is recognized upon receipt of an external agreement and delivery of the software, provided the fees are fixed and determinable, and collection is probable. For agreements that include one or more elements to be delivered at a future date, revenue is recognized using the residual method, under which the vendor-specific objective evidence ("VSOE") of fair value of the undelivered elements is deferred, and the remaining portion of the agreement fee is recognized as license revenue. If VSOE of fair value has not been established for certain undelivered elements, revenue is deferred until those elements have been delivered or their fair values have been determined.

We undertake an evaluation of the creditworthiness of both new and, on a periodic basis, existing customers. Based on these reviews we determine whether collection of our prospective revenue is probable.

Revenue Sharing

We pay our Managed Portals and Advertising customers a portion of the revenue generated from search and digital advertising. The portion paid to our customers depends on, among other things, the consumer base of the customer and their expected ability to drive consumer traffic to our Managed Portals. This revenue consists of the consideration we receive from Google and our digital advertising partners in connection with traffic supplied by the applicable customer.

Gross Versus Net Presentation of Revenue for Revenue Sharing

We evaluate our relationship between our search and digital advertising partners and our Managed Portals and Advertising customers in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, 605-45, *Principal Agent Considerations* . We have determined that the revenue derived from traffic supplied by our customers is reported on a gross basis because we are the primary obligor (we are responsible to our customers for fulfilling search and digital advertising services and premium and other services), are involved in the service specifications, perform part of the service, have discretion in supplier selection, have latitude in establishing price and bear credit risk.

Stock-Based Compensation

We account for stock-based compensation in accordance with the authoritative guidance on stock compensation. Under the fair value recognition provisions of this guidance, stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense, net of estimated forfeitures, over the requisite service period, which is generally the vesting period of the respective award. As a result, we are required to estimate the amount of stock-based compensation we expect to be forfeited based on our historical experience. If actual forfeitures differ significantly from our estimates, stock-based compensation expense and our results of operations could be materially impacted. Determining the fair value of stock-based awards at the grant date requires judgment. We use the Black-Scholes option-pricing model to determine the fair value of stock options. The determination of the grant date fair value of options using an option-pricing model is affected by our common stock fair value as well as assumptions regarding a number of other complex and subjective variables. These variables include the fair value of our common stock, our expected stock price volatility over the expected term of the options, stock option exercise and cancellation behaviors, risk-free interest rates, and expected dividends, which are estimated as follows:

Expected Term - The expected term was estimated using the simplified method allowed under SEC guidance. As we develop more experience, our estimate of the life of awards may change.

Volatility - Expected stock price volatility for our common stock was estimated by blending our average historic price volatility with that of our industry peers based on daily price observations over a period equivalent to the expected term of the stock option grants. Industry peers consist of several public companies in the technology industry, some larger and some similar in size, stage of life cycle and financial leverage. W e did not rely on implied volatilities of traded options in our industry peers' common stock because the volume of activity was relatively low. We intend to continue to consistently apply this process using the same or similar public companies until a suff icient amount of historical information regarding the volatility of our own common stock share price becomes available, or unless circumstances change such that the identified companies are no longer similar to us, in which case, more suitable companies wh ose share prices are publicly available would be utilized in the calculation.

Risk-free Rate - The risk-free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the options for each option group.

Dividend Yield - We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Additionally, our loan and security agreement with Silicon Valley Bank restricts our ability to pay any dividends. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources." Accordingly, we used an expected dividend yield of zero.

Income Taxes

We record income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. In estimating future tax consequences, generally all expected future events other than enactments or changes in the tax law or rates are considered. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized.

We also provide reserves as necessary for uncertain tax positions taken on our tax filings. First, we determine if a tax position is more likely than not to be sustained upon audit solely based on technical merits, including resolution of related appeals or litigation processes, if any. Second, based on the largest amount of benefit, which is more likely than not to be realized on ultimate settlement we recognize any such differences as a liability. In the event that any unrecognized tax benefits are recognized, the effective tax rate will be affected. Although we believe our estimates are reasonable, no assurance can be given that the final tax outcome of these matters will be the same as these estimates. These estimates are updated quarterly based on factors such as changes in facts or circumstances, changes in tax law, new audit activity, and effectively settled issues.

We follow specific and detailed guidelines in each tax jurisdiction regarding the recoverability of any tax assets recorded on the balance sheet and provide necessary valuation allowances as required. Future realization of deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character (for example, ordinary income or capital gain) within the carryback or carryforward periods available under the tax law. We regularly review our deferred tax assets for recoverability based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. Our judgments regarding future profitability may change due to many factors, including future market conditions and our ability to successfully execute our business plans and/or tax planning strategies. Should there be a change in our ability to recover our deferred tax assets, our tax provision would increase or decrease in the period in which the assessment is changed.

Results of Operations

The following tables set forth our results of operations for the periods presented in amount and as a percentage of revenue for those periods. The period to period comparison of financial results is not necessarily indicative of future results.

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Revenue	$ 127,373	$ 110,245	$ 106,579
Costs and operating expenses:			
Cost of revenue (1)	59,146	54,423	57,939
Technology and development (1)(2)	25,612	20,007	26,259
Sales and marketing (2)	22,846	16,272	10,807
General and administrative (1)(2)	19,695	15,543	14,249
Depreciation and amortization	9,235	6,901	5,126
Gain on sale of domain	—	—	(1,000)
Total costs and operating expenses	136,534	113,146	113,380
Loss from operations	(9,161)	(2,901)	(6,801)
Other expense	(42)	(16)	(28)
Interest expense	(318)	(245)	(218)
Loss before income taxes	(9,521)	(3,162)	(7,047)
Provision for income taxes	1,219	239	4,821
Loss in equity interest	—	(73)	(1,063)
Net loss	$ (10,740)	$ (3,474)	$ (12,931)

Notes:

(1) Exclusive of depreciation and amortization shown separately.

(2) Includes stock-based compensation as follows:

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Technology and development	$ 921	$ 936	$ 1,621
Sales and marketing	784	942	599
General and administrative	1,066	1,237	1,375
	$ 2,771	$ 3,115	$ 3,595

	Year Ended December 31,		
	2016	2015	2014
Revenue	100%	100%	100%
Costs and operating expenses:			
Cost of revenue (1)	46	49	54
Technology and development (1)	20	18	25
Sales and marketing	18	15	10
General and administrative (1)	16	14	13
Depreciation and amortization	7	6	5
Gain on sale of domain	-	—	(1)
Total costs and operating expenses	107	103	106
Loss from operations	(7)	(3)	(6)
Other expense	—	—	—
Interest expense	—	—	—
Loss before income taxes	(7)	(3)	(7)
Provision for income taxes	1	—	5
Loss in equity interest	—	—	(1)
Net loss	(8)%	(3)%	(12)%

Note:

(1) Exclusive of depreciation and amortization shown separately.

Comparison of Years Ended December 31, 2016, 2015 and 2014

Revenue

	Year Ended December 31, 2016	2015	2014	2015 to 2016 % Change	2014 to 2015 % Change
	(in thousands)				
Revenue:					
Search and digital advertising	$ 74,889	$ 78,316	$ 83,906	(4)%	(7)%
Recurring and fee-based	52,484	31,929	22,673	64%	41%
Total revenue	$ 127,373	$ 110,245	$ 106,579	16%	3%
Percentage of revenue:					
Search and digital advertising	59%	71%	79%		
Recurring and fee-based	41	29	21		
Total revenue	100%	100%	100%		

In 2016, our revenue increased by $17.1 million, or 16%, compared to 2015. Search and digital advertising revenue decreased by $3.4 million, driven by a $15.4 million decrease in search revenue, or 49%, compared to 2015, and offset partially by a $12.0 million increase in digital advertising revenue, or 26%, as compared to 2015. The increase in digital advertising was driven by a combination of an increase syndicated advertising and an increase in video advertising and higher contractual rates for such advertisements. Video advertising yields higher CPMs than traditional image or text advertising. We believe the decrease in search revenue was due to lower search activity associated with the increased usage of competitor search tools on other devices, such as tablets and smartphones, generally across the consumer base. In addition, we believe a portion of the decrease was due to the residual effect of the placement of our Managed Portals on the second tab of the default Windows 8 internet browser by our consumer electronics customers. Recurring and Fee-Based Revenue increased $20.6 million, or 64% primarily due to increases in usage of our Email/Collaboration, Cloud ID and video solutions by our customers. Our 2016 results include a full year of revenue and related costs and expenses relating to our Zimbra Email/Collaboration products and services, while 2015 included results only from the date of acquisition (September 2015).

In 2015, our revenue increased by $3.7 million, or 3%, compared to 2014. Digital advertising revenue increased by $8.5 million, or 22%. The increase in digital advertising was driven by a combination of an increase in video advertising and higher contractual rates for advertisements. Search advertising revenue decreased by $14.1 million, or 31%, compared to 2014. We believe the decrease was due to lower search activity associated with the increased usage of competitor search tools on other devices, such as tablets and smartphones, generally across the consumer base. In addition, a portion of the decrease was due to the residual effect of the placement of our Managed Portals on the second tab of the default Windows 8 internet browser by our consumer electronics customers. Recurring and Fee-Based Revenue increased $9.3 million, or 41%, primarily due to increased usage of our Zimbra Email/Collaboration solutions (driven by the acquisition of the Zimbra assets in September 2015), various other services by our customers, and to a lesser extent, Cloud ID and video solutions by our customers

Cost of Revenue

	Year Ended December 31, 2016	2015	2014	2015 to 2016 % Change	2014 to 2015 % Change
	(in thousands)				
Cost of revenue	$ 59,146	$ 54,423	$ 57,939	9%	(6)%
Percentage of revenue	46%	49%	54%		

In 2016, our cost of revenue increased by $4.7 million, or 9%, compared to 2015. However, our cost of revenue decreased as a percentage of revenue from 49% in 2015 to 46% in 2016. The increase in our cost of revenue was driven primarily by increased syndicated advertising costs. The decrease in our cost of revenue as a percentage of revenue resulted from a shift in mix, as higher-margin Email/Collaboration revenue increased in 2016 as compared to 2015, offset partially by the effect of increased lower-margin syndicated advertising revenue in 2016 as compared to the prior year.

In 2015, our cost of revenue decreased by $3.5 million, or 6%, compared to 2014. The decrease in our cost of revenue was driven by decreased revenue sharing costs due to declining search revenue, offset by an increase in revenue-sharing costs from digital advertising due to increase placement of video-based advertising. Cost of revenue as a percentage of revenue decreased, from 54% to

49%, because of changes in the mix of revenue, mix of customers, related revenue-sharing arrangements, and the increase in Recurring and Fee-Based revenue from our Email/Collaboration products.

Technology and Development Expenses

	Year Ended December 31,			2015 to 2016 % Change	2014 to 2015 % Change
	2016	2015	2014		
		(in thousands)			
Technology and development	$ 25,612	$ 20,007	$ 26,259	28%	(24)%
Percentage of revenue	20%	18%	25%		

In 2016, technology and development expenses increased by $5.6 million, or 28%, compared to 2015. The increase was primarily due to increased headcount and spending in technology and development activities in preparation for our 2017 AT&T portal services product launch. We added or redeployed 52 positions specifically devoted to the development of the AT&T portal. We anticipated that total expenditures for the AT&T portal would be approximately $10 million, consisting of $8 million of operating expense and $2 million of capital expenditures. Of this amount, approximately $6.3 million of operating expense and $1.9 million of capital expenditures were incurred during 2016, primarily in technology and development. Also contributing to the increase in technology and development expenses in 2016 over 2015 were the costs associated with the addition of the former Zimbra development group.

In 2015, technology and development expenses decreased by $6.3 million, or 24%, compared to 2014. Approximately $4.3 million of the decrease was due to reduced salaries expense and related costs due to the implementation of our cost reduction plan in October 2014. Additionally, $2.3 million of the decrease is due to a shift in activities of certain personnel responsible for products to be marketed, from technology and development to sales and marketing. This change in activities took effect on October 1, 2014.

Sales and Marketing Expenses

	Year Ended December 31,			2015 to 2016 % Change	2014 to 2015 % Change
	2016	2015	2014		
		(in thousands)			
Sales and marketing	$ 22,846	$ 16,272	$ 10,807	40%	50%
Percentage of revenue	18%	15%	10%		

In 2016, sales and marketing expenses increased by $6.6 million, or 40%, compared to 2015. The increase was primarily due to a full year of personnel and other expenses relating to sales and marketing of the Zimbra Email/Collaboration product and services in 2016, as compared to four months in 2015. With the acquisition of the Zimbra assets in September 2015, we acquired sales and marketing teams in Europe, Japan, Singapore, India and Latin America.

In 2015, sales and marketing expenses increased by $5.5 million, or 50%, compared to 2014. The increase was primarily due to a shift in activities of certain personnel from technology and development to sales and marketing, resulting in additional sales and marketing expense, as discussed above. Additionally, the incremental expenses of sales and marketing activities related to the Zimbra assets from the date of the acquisition to December 31, 2015 contributed to the increase. This was partially offset by a reduction in salaries expense and related costs due to our cost reduction plan implemented in 2014, resulting in a decrease in 2015.

General and Administrative Expenses

	Year Ended December 31,			2015 to 2016 % Change	2014 to 2015 % Change
	2016	2015	2014		
		(in thousands)			
General and administrative	$ 19,695	$ 15,543	$ 14,249	27%	9%
Percentage of revenue	15%	14%	13%		

In 2016, general and administrative expenses increased by $4.2 million, or 27%, compared to 2015. The increase is due principally to increased facility costs and administrative personnel relating to our two new or acquired offices in the United States and four international offices acquired with the Zimbra assets, plus increased professional fees year over year.

In 2015, general and administrative expenses increased by $1.3 million, or 9% compared 2014. The increase is principally due to additional expenses following our acquisition of the Zimbra assets as well as the direct expenses associated with the assets acquired.

Depreciation and amortization

	Year Ended December 31,			2015 to 2016 % Change	2014 to 2015 % Change
	2016	2015	2015		
	(in thousands)				
Depreciation and amortization	$ 9,235	$ 6,901	$ 5,126	34%	35%
Percentage of revenue	7%	6%	5%		

In 2016, depreciation and amortization increased by $2.3 million or 34%, compared to 2015, primarily attributable to a $1.6 million increase in amortization of acquired Zimbra-related intangible assets, and additional depreciation expense relating to our acquired and internally-developed fixed assets.

In 2015, depreciation and amortization increased $1.8 million, or 35%, compared to 2014. This increase was due to placing certain software development projects into service during the fourth quarter of 2014 and throughout 2015, as well as depreciation and amortization on property and equipment and intangible assets acquired in the Zimbra transaction.

Gain on Sale of Domain

	Year Ended December 31,			2015 to 2016 % Change	2014 to 2015 % Change
	2016	2015	2014		
	(in thousands)				
Gain on sale of domain	$ —	$ —	$ 1,000	NM	NM
Percentage of revenue	—	—	1%		

The gain on sale of a domain amounted to $1.0 million during 2014, which was equal to the sale price. The sale was unique to 2014 and no such transactions occurred in the comparative periods.

Other Expense

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Other expense	$ (42)	$ (16)	$ (28)

For each of 2016, 2015 and 2014, other expense consisted primarily of interest income coupled with foreign currency transaction losses related to our foreign operations.

Interest Expense

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Interest expense	$ (318)	$ (245)	$ (218)

Interest expense during 2016, 2015 and 2014 primarily relates to interest on capital leases and long-term debt.

Provision for Income Taxes

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Provision for income taxes	$ 1,219	$ 239	$ 4,821

Our 2016 income tax provision includes $0.8 million of foreign withholding taxes, $0.2 million of current tax relating to our foreign subsidiaries' earnings, and $0.1 million of deferred income tax expense. Certain foreign governments require tax withholdings on remittances relating to our sales in those countries. Such withholdings add to our foreign tax credit which is available to defray future U.S. income taxes; however because we have recorded a full valuation allowance against our U.S. net operating loss and credit carryforwards, such withholdings are recognized in deferred income tax expense.

Our 2015 tax provision consists of U.S. state minimum tax expense and $0.2 million of foreign withholding taxes.

During 2014, we recognized additional income tax benefit related to our net operating loss, or NOL, of approximately $2.8 million. In the fourth quarter of 2014, as a result of weighing the positive and negative evidence and guidance for accounting for income taxes, which includes an evaluation of recent cumulative pre-tax results, we determined it was appropriate to record a valuation allowance against our net deferred income tax assets because it was determined that it was no longer "more likely than not" that such NOLs will be utilized. As a result, we recognized a $7.5 million income tax provision expense associated with our deferred tax asset valuation allowance.

Unaudited Quarterly Results of Operations and Other Data

The following tables present our unaudited quarterly results of operations and other data for the eight quarters ended December 31, 2016. This unaudited quarterly information has been prepared on the same basis as our audited consolidated financial statements and, in the opinion of management, the statement of operations data includes all adjustments, consisting of normal recurring adjustments, necessary for the fair presentation of the results of operations for these periods. This table should be read in conjunction with our consolidated financial statements and related notes located elsewhere in this Annual Report on Form 10-K. The results of operations for any quarter are not necessarily indicative of the results of operations for any future periods.

	For the Three Months Ended							
	March 31, 2015 (2)	June 30, 2015 (2)	September 30, 2015 (3)	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
	(in thousands, except per-share data)							
Statements of Operations Data:								
Revenue	$ 26,730	$ 24,716	$ 26,351	$ 32,448	$ 30,260	$ 30,476	$ 31,721	$ 34,916
Costs and operating expenses:								
Cost of revenue (1)	14,403	12,504	13,298	14,218	12,972	13,516	14,611	18,047
Technology and development (1)	4,866	4,561	4,361	6,219	5,873	6,591	6,791	6,357
Sales and marketing	3,562	3,639	4,274	4,797	5,650	5,620	5,907	5,669
General and administrative (1)	3,374	3,351	3,712	5,106	5,022	5,134	4,871	4,668
Depreciation and amortization	1,496	1,660	1,560	2,185	2,098	2,270	2,414	2,453
Total costs and operating expenses	27,701	25,715	27,205	32,525	31,615	33,131	34,594	37,194
Income (loss) from operations	$ (971)	$ (999)	$ (854)	$ (77)	$ (1,355)	$ (2,655)	$ (2,873)	$ (2,278)
Net loss	$ (1,073)	$ (1,082)	$ (931)	$ (388)	$ (1,565)	$ (2,757)	$ (3,365)	$ (3,053)
Net loss per share:								
Basic	$ (0.04)	$ (0.04)	$ (0.03)	$ (0.01)	$ (0.05)	$ (0.09)	$ (0.11)	$ (0.10)
Diluted	$ (0.04)	$ (0.04)	$ (0.03)	$ (0.01)	$ (0.05)	$ (0.09)	$ (0.11)	$ (0.10)

Note:

(1) Exclusive of depreciation and amortization shown separately.

(2) Results for the quarters ended March 31 and June 30, 2015 do not include the results of operations relating to the acquired Zimbra assets, prior to the acquisition (September 14, 2015).

(3) Results for the quarter ended September 30, 2015 include the results of operations relating to the acquired Zimbra assets from the date of acquisition (September 14, 2015) to September 30, 2015.

Liquidity and Capital Resources

Our primary liquidity and capital resource requirements are for financing working capital, investing in capital expenditures such as computer hardware and software, supporting research and development efforts, introducing new technology, enhancing existing technology, and marketing our services and products to new and existing customers. In addition, we expect to incur a total of approximately $10.0 million in start-up expenses, development expenses and capital expenditures through the first quarter of 2017 specifically relating to our contract to provide desktop and mobile portal services to AT&T. Of this total, we have incurred approximately $8.2 million during 2016, including $6.3 million in operating expenses and $1.9 millio n in capital expenditures.

To the extent that existing cash and cash equivalents, cash from operations, cash from short-term borrowings, and cash from the exercise of stock options are insufficient to fund our future activities, we may need to raise additional funds through public or private equity offerings or debt financings.

In September 2013, we entered into a Loan and Security Agreement with Silicon Valley Bank, or the Lender, which was most recently amended in November 2016. We refer to the agreement, as amended, as the "Loan Agreement." The Loan Agreement provides for a $12.0 million secured revolving line of credit with a stated maturity of September 27, 2018. The credit facility is available for cash borrowings, subject to a formula based upon eligible accounts receivable. As of December 31, 2016, we had $5.0 million in outstanding borrowing under the Loan Agreement; subject to the operation of the borrowing formula, an additional $7.0 million was available for draw under the Loan Agreement.

Borrowings under the Loan Agreement bear interest, at our election, at an annual rate based on either the "prime rate" as published in The Wall Street Journal or LIBOR for the relevant period. If our liquidity coverage ratio (the ratio of cash plus eligible accounts receivable to borrowings under the Agreement) exceeds 2.75 to 1, LIBOR-based advances bear interest at LIBOR plus 3.5% and prime rate advances bear interest at the prime rate plus 1.0%. If our liquidity coverage ratio falls below 2.75 to 1, LIBOR-based advances bear interest at LIBOR plus 4.0% and prime rate advances bear interest at the prime rate plus 1.5%. For LIBOR advances, interest is payable (i) on the last day of a LIBOR interest period or (ii) on the last day of each calendar quarter. For prime rate advances, interest is payable (a) on the first day of each month and (b) on each date a prime rate advance is converted into a LIBOR advance.

Our obligations to the Lender are secured by a first priority security interest in all our assets, including our intellectual property. The Loan Agreement contains customary events of default, including non-payment of principal or interest, violations of covenants, material adverse changes, cross-default, bankruptcy and material judgments. Upon the occurrence of an event of default, the Lender may accelerate repayment of any outstanding balance. The Loan Agreement also contains certain financial covenants and other agreements that are customary in loan agreements of this type, including restrictions on paying dividends and making distributions to our stockholders. As of December 31, 2016, we were in compliance with the covenants and anticipate continuing to be so.

As of December 31, 2016, we had approximately $14.3 million of cash and cash equivalents. We believe that our existing cash and cash equivalents, along with cash flows from operations and availability under our revolving credit line, will be sufficient to meet our anticipated working capital, interest payments, capital lease payment obligations and capital expenditure requirements for at least the next 12 months.

In November 2016, we filed a shelf registration statement with the Securities and Exchange Commission, under which we may offer and sell shares of common stock totaling up to $40.0 million. We may endeavor to sell shares under that registration statement during 2017, to raise funds for general corporate activities.

Cash Flows

	Year Ended December 31,		
	2016	2015	2014
		(in thousands)	
Statements of Cash Flows Data:			
Cash flows provided (used) by operating activities	$ 8,249	$ 7,650	$ (3,309)
Cash flows used by investing activities	$ (8,439)	$ (20,496)	$ (4,754)
Cash flows (used) provided by financing activities	$ (1,187)	$ 2,943	$ (2,752)

Cash Provided (Used) by Operating Activities

Operating activities provided $8.2 million of cash in 2016. The positive cash flow from operating activities primarily resulted from our net loss, adjusted for non-cash items, and changes in our operating assets and liabilities. We had a net loss of $10.5 million, which included non-cash depreciation and amortization of $9.2 million, non-cash stock-based compensation of $2.8 million, and non-cash deferred income tax provision of $0.1 million. Changes in our operating assets and liabilities provided $6.3 million of cash, primarily due to an increase in our accounts payable and other current liabilities totaling $9.1million and an increase in deferred revenue totaling $1.5 million, offset partially by increases in our accounts receivable of $2.2 million and prepaid expenses and other current assets of $2.0 million. The increase in our accounts receivable was primarily attributable to the increase in revenue in 2016 as compared to the prior year. The increase in our accounts payable and accrued expenses of $9.1 million was primarily the result of increased payables for syndicated advertising costs and timing of such payments. The increase in prepaid expenses and other current assets was principally the result of required prepayments of development costs and salable enhancements relating to our Zimbra Email/Collaboration product.

Operating activities provided $7.7 million of cash in 2015. The cash flow from operating activities primarily resulted from our reduced net loss and improved collections from our accounts receivable. Net loss was $3.5 million, which included non-cash depreciation and amortization of $6.9 million and non-cash stock-based compensation of $3.1 million. Changes in our operating assets and liabilities provided $1.0 million of cash, primarily due to increases in deferred revenue of $3.5 million and accrued expenses and other current liabilities of $2.1 million, combined with a decrease of our accounts payable of $3.6 million. The decrease in our accounts payable was primarily driven by the timing of payment of invoices to our vendors. The increase in our prepaid and other current assets was primarily due to the increase of prepayments to vendors for components of our cost of revenue and insurance coverages.

Operating activities used $3.3 million of cash in 2014. The cash flow from operating activities primarily resulted from our net loss, adjusted for non-cash items and changes in our operating assets and liabilities. The use of cash by operating activities primarily relates to the change in working capital assets and liabilities. Our net loss was $12.9 million, which included non-cash depreciation of $5.1 million, non-cash stock-based compensation of $3.6 million, non-cash change in the provision for income taxes of $4.8 and a loss in an equity interest of $1.0 million, offset by gain on the sale of domain of $1.0 million, resulting in cash provided by components of net loss of $0.6 million. Changes in our operating assets and liabilities used $3.9 million of cash, primarily due to an increase in accounts receivable of $5.9 million and offset by an increase in accrued expenses and other current liabilities of $2.7 million. The increase in accounts receivable is partially due to our improved revenue performance late in the fourth quarter combined with a change in the mix of our receivables from Google search advertising receivable to digital advertising receivables, while the increase in accrued expenses and other current liabilities primarily relates to an increase in accrued compensation of $1.3 million associated with accrued severance, bonus and commissions and an increase in accrued content fees of $1.2 million due to timing of payments. Other working capital accounts had less significant fluctuations.

Cash Used by Investing Activities

Our primary investing activities have consisted of purchases of property and equipment, and payments for acquisitions. Purchases of property and equipment may vary from period to period due to the timing of the expansion of our operations and internal-use software development. We expect to continue to make significant investments in property and equipment and development of software for the remainder of 2017 and thereafter.

Cash used by investing activities in 2016 was $8.4 million, of which $5.9 million was expended for purchases of property and equipment (primarily related to the build-out of our data centers and internal-use software development), of which $1.9 million relates specifically to preparation for the early 2017 deployment under our portal services contract with AT&T. Cash used in investing activities also included the cash outlay for the acquisition of Technorati, which totaled $2.5 million in 2016.

Cash used by investing activities in 2015 was $20.5 million, consisting of $17.3 million of cash used for the acquisition of the Zimbra assets, net of cash acquired, and $3.2 million for purchases of property and equipment (specifically related to the build-out of our data centers and internal-use software development).

Cash used by investing activities in 2014 was $4.8 million, consisting of $5.0 million used for purchases of property and equipment, which primarily relates to software development of our product portfolio, including the payment of $0.7 million of software development costs recorded to accounts payable at December 31, 2013, and $0.8 million for an investment in an equity interest in our joint venture in China. These uses of cash were offset by $1.0 million proceeds from the sale of a domain.

Cash (Used) Provided by Financing Activities

Net cash used by financing activities totaled $1.2 million in 2016. We received $1.6 million from the exercise of stock options, and we repaid $1.7 million of our capital lease obligations. In addition, we paid $0.9 million of contingent consideration relating to our 2015 acquisition of Zimbra.

In 2015, net cash provided by financing activities was $2.9 million consisting primarily of $5.0 million drawn under our credit facility with Silicon Valley Bank. This was offset by repayment of $1.4 million on our capital lease obligations, and $0.5 million for a deferred acquisition payment.

In 2014, net cash used by financing activities was $2.8 million primarily for repayment of $2.3 million on our capital lease obligations and purchase of treasury stock in the amount of $0.6 million. We received $0.1 million from the exercise of common stock options.

Off-Balance Sheet Arrangements

At December 31, 2016, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated by the SEC, that have or are reasonably likely to have a current or future effect on our financial condition, changes in our financial condition, revenue, or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to investors.

Contractual Obligations

We lease office space and data center space under operating lease agreements and certain equipment under capital lease agreements. We are also obligated to make fixed payments under various contracts with vendors and customers, principally for revenue-sharing and content arrangements. These fixed payments are reflected in the table below as "contract commitments." Reflected in "contingent consideration" are contingent payments in connection with our acquisition of the Zimbra assets and Technorati.

The following table sets forth our future contractual obligations as of December 31, 2016:

	Payments Due by Period					
	2017	2018	2019	2020	2021	Total
Operating lease obligations	$ 2,378	$ 1,727	$ 766	$ 492	$ 368	$ 5,731
Capital lease obligations	1,056	680	403	9	—	2,148
Contract commitments	1,560	—	—	—	—	1,560
Long-term debt obligations	—	5,000	—	—	—	5,000
Contingent consideration	1,193	—	—	—	—	1,193
Total	$ 6,187	$ 7,407	$ 1,169	$ 501	$ 368	$ 15,632

Impact of Applicable Recent Accounting Pronouncements

In the normal course of business, we evaluate pronouncements issued by the Financial Accounting Standards Board ("FASB"), Securities and Exchange Commission ("SEC"), or other authoritative bodies to determine the potential impact they may have on our consolidated financial statements. Refer to Note 1 to the consolidated financial statements in Item 8 of this report for additional information about these recently issued accounting standards and their potential impact on our consolidated results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of our business. These primarily include interest rate, inflation and foreign currency exchange risk.

Interest Rate Risk

Our cash and cash equivalents primarily consist of cash and money market funds. Other than our $1.0 million investment in B&FF, we currently have no investments of any type. Our exposure to market risk for changes in interest rates is limited because nearly all of our cash and cash equivalents have a short-term maturity and are used primarily for working capital purposes.

We have bank debt with an outstanding balance of $5.0 million at December 31, 2016, which bears interest at a variable annual rate, at our election, based on either the "prime rate" as published in The Wall Street Journal or LIBOR for the relevant period. If our liquidity coverage ratio (the ratio of cash plus eligible accounts receivable to bank borrowings under the related loan agreement) exceeds 2.75 to 1, LIBOR-based advances bear interest at LIBOR plus 3.5% and prime rate advances bear interest at the prime rate plus 1.0%. If our liquidity coverage ratio falls below 2.75 to 1, LIBOR-based advances bear interest at LIBOR plus 4.0% and prime rate advances bear interest at the prime rate plus 1.5%. This arrangement subjects us to interest rate risk. A 10% increase or decrease in these interest rates would not have a significant impact on our interest expense. Although not significant, we are currently evaluating actions we may take to mitigate this exposure. Refer to Note 6, *Long-Term Debt* of the Notes to the Consolidated Financial Statements in Item 8 of this report for additional information about our outstanding debt.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

Foreign Currency Exchange Risk

We are also subject to foreign currency exchange risk relating to our operations in Canada, Europe, India, Japan and Singapore. Our expenses at these locations are denominated in the local currencies and our results of operations are influenced by changes in the exchange rates between the U.S. Dollar and these local currencies, principally the Canadian Dollar, Euro, British Pound Sterling, Yen, Rupee and Singapore Dollar. In addition, certain of our accounts receivable are denominated in currencies other than the U.S. Dollar, principally the Euro, British Pound Sterling, and Japanese Yen. A 10% increase or decrease in the applicable currency exchange rates could result in an increase or decrease in our currency exchange (loss) gain of approximately $0.2 million. We are currently evaluating our foreign currency rate exposures and may take steps to mitigate these exposures.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements are submitted on pages F-1 through F-24 of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure and Control Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2016. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based upon the evaluation as of December 31, 2016, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on that evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2016. This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm due to a transition period established by the Jumpstart Our Business Startups Act, or JOBS Act, for emerging growth companies.

Changes in Internal Control over Financial Reporting

We implemented a new Enterprise Resource Planning ("ERP") system in 2016. This implementation has resulted in certain improvements to business processes and internal controls impacting financial reporting. We believe that the new ERP system and related changes to internal controls will enhance our internal controls over financial reporting. We have taken the necessary steps to monitor and maintain appropriate internal control over financial reporting during this period of system change and will continue to evaluate the operating effectiveness of related controls during subsequent periods.

Other than the implementation of our new ERP system, there were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended December 31, 2016 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHE R INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference to the information in our proxy statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2016.

Our board of directors has adopted a Code of Business Conduct and a Code of Ethics applicable to all officers, directors and employees, which is available on our website (http://www.synacor.com) under "Investors—Corporate Governance." We will provide a copy of these documents to any person, without charge, upon request, by writing to us at Synacor, Inc., Investor Relations Department, 40 La Riviere Drive, Suite 300, Buffalo, New York 14202. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of our Code of Business Conduct or Code of Ethics by posting such information on our website at the address and the location specified above.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the information in our proxy statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2016.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to the information in our proxy statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2016.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to the information in our proxy statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2016.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated by reference to the information in our proxy statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2016.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this report:

1. *Financial Statements:* See Financial Statements and Supplementary Data, Part II, Item 8.

2. *Financial Statement Schedules:* Financial Statement Schedules have been omitted either because they are not required or because the information required is included in the notes to the financial statements.

3. *Exhibits:* See the Exhibit Index immediately following the signature page of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

SYNACOR, INC.

/s/ HIMESH BHISE
Himesh Bhise
President and Chief Executive Officer
(Principal Executive Officer)

Date: March 22, 2017

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Himesh Bhise and William J. Stuart, and each of them, his true and lawful attorneys-in-fact, each with full power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact or their substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ HIMESH BHISE **Himesh Bhise**	President, Chief Executive Officer and Director (Principal Executive Officer)	March 22, 2017
/s/ WILLIAM J. STUART **William J. Stuart**	Chief Financial Officer (Principal Financial and Accounting Officer)	March 22, 2017
/s/ MARWAN FAWAZ **Marwan Fawaz**	Director	March 22, 2017
/s/ GARY L. GINSBERG **Gary L. Ginsberg**	Director	March 22, 2017
/s/ ANDREW KAU **Andrew Kau**	Director	March 22, 2017
/s/ JORDAN LEVY **Jordan Levy**	Director	March 22, 2017
/s/ MICHAEL J. MONTGOMERY **Michael J. Montgomery**	Director	March 22, 2017
/s/ SCOTT MURPHY **Scott Murphy**	Director	March 22, 2017

EXHIBITS

The following exhibits are incorporated by reference herein or filed here within:

Exhibit No.	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Date of Filing	Exhibit Number	
2.1 §	Asset Purchase Agreement dated February 19, 2016 by and among Synacor, Inc.; Technorati, Inc.; and Shareholder Representative Services LLC, solely in its capacity as the representative of Technorati and Technorati's securityholders					X
3.1	Fifth Amended and Restated Certificate of Incorporation	S-1/A	333-178049	1/30/2012	3.2	
3.2	Amended and Restated Bylaws	S-1/A	333-178049	1/30/2012	3.4	
3.3	Certificate of Designations of Series A Junior Participating Preferred Stock	8-K	001-33843	7/15/2014	3.1	
4.1	Rights Agreement between Synacor, Inc. and American Stock Transfer & Trust Company, LLC dated July 14, 2014	8-K	001-33843	7/15/2014	4.1	
4.2	First Amendment to Rights Agreement dated August 18, 2015 between Synacor, Inc. and American Stock Transfer & Trust Company, LLC as rights agent	8-K	001-33843	8/18/2015	4.1	
10.1	Form of Indemnification Agreement between Synacor, Inc. and each of its directors and executive officers and certain key employees	S-1	333-178049	11/18/2011	10.1	
10.2.1 *	2006 Stock Plan	S-1	333-178049	11/18/2011	10.3.1	
10.2.2 *	Amendment No. 1 to 2006 Stock Plan	S-1	333-178049	11/18/2011	10.3.2	
10.2.3 *	Amendment No. 2 to 2006 Stock Plan	S-1	333-178049	11/18/2011	10.3.3	
10.2.4 *	Amendment No. 3 to 2006 Stock Plan	S-1	333-178049	11/18/2011	10.3.4	
10.2.5 *	Amendment No. 4 to 2006 Stock Plan	S-1	333-178049	11/18/2011	10.3.5	
10.2.6 *	Amendment No. 5 to 2006 Stock Plan	S-1	333-178049	11/18/2011	10.3.6	
10.2.7 *	Amendment No. 6 to 2006 Stock Plan	S-1	333-178049	11/18/2011	10.3.7	
10.2.8 *	Amendment No. 7 to 2006 Stock Plan	S-1/A	333-178049	1/18/2012	10.3.8	
10.2.9 *	Form of Stock Option Agreement under 2006 Stock Plan with Jordan Levy	S-1/A	333-178049	1/30/2012	10.3.9	
10.2.10 *	Form of Stock Option Agreement with George G. Chamoun under 2006 Stock Plan	S-1/A	333-178049	1/30/2012	10.3.12	
10.2.11 *	Form of Director Stock Option Agreement under 2006 Stock Plan	S-1/A	333-178049	1/30/2012	10.3.14	
10.2.12 *	Form of Director Stock Option Agreement under 2006 Stock Plan	S-1/A	333-178049	1/30/2012	10.3.15	
10.2.13 *	Form of Stock Option Agreement with Himesh Bhise under 2006 Stock Plan					X
10.3.1 *	2012 Equity Incentive Plan	S-1/A	333-178049	1/18/2012	10.4	

Exhibit No.	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Date of Filing	Exhibit Number	
10.3.2 *	Form of Stock Option Agreement under 2012 Equity Incentive Plan	S-1/A	333-178049	1/30/2012	10.4.2	
10.3.3 *	Form of Stock Unit Agreement under 2012 Equity Incentive Plan	S-1/A	333-178049	1/30/2012	10.4.3	
10.3.4 *	Form of Early Exercise Stock Option Agreement under 2012 Equity Incentive Plan	10-K	001-33843	3/26/2013	10.4.5	
10.3.5 *	Form of Stock Option Agreement with George G. Chamoun under 2012 Equity Incentive Plan	10-K	001-33843	3/26/2013	10.4.6	
10.3.6 *	Form of Stock Option Agreement with William J. Stuart under 2012 Equity Incentive Plan	10-K	001-33843	3/26/2013	10.4.7	
10.3.7 *	Form of Stock Option Agreement with Himesh Bhise under 2012 Equity Incentive Plan					X
10.3.8 *	Form of Stock Option Agreement with William J. Stuart under 2012 Equity Incentive Plan					X
10.4.1 *	Employment and Noncompetition Agreement dated December 22, 2000 between George G. Chamoun and CKMP, Inc.	S-1	333-178049	11/18/2011	10.7.1	
10.4.2 *	Severance Agreement with George G. Chamoun	S-1/A	333-178049	12/23/2011	10.7.2	
10.4.3 *	Letter Agreement dated March 26, 2014 with George G. Chamoun	10-K	001-33843	3/26/2014	10.7.3	
10.4.4 *	Amendment to Severance Agreement dated March 26, 2014 with George G. Chamoun	10-K	001-33843	3/26/2014	10.7.4	
10.5.1 *	Letter Agreement dated August 3, 2011 with William J. Stuart	S-1	333-178049	11/18/2011	10.8	
10.5.2 *	Severance Agreement with William J. Stuart	10-K	001-33843	3/26/2014	10.8.2	
10.5.3 *	Letter Agreement dated August 26, 2013 with William J. Stuart	10-K	001-33843	3/26/2014	10.8.3	
10.6.1 †	Amended and Restated Master Services Agreement between Qwest Corporation and Synacor, Inc. dated January 1, 2012	10-Q	001-33843	11/14/2012	10.1.1	
10.6.2 †	Amendment #1 to Amended and Restated Master Services Agreement between Qwest Corporation and Synacor, Inc. dated July 1, 2012	10-Q	001-33843	11/14/2012	10.1.2	
10.6.3 †	Amendment #2 to Master Services Agreement between Qwest Corporation and Synacor, Inc. dated August 23, 2012	10-Q	001-33843	11/14/2012	10.1.3	
10.6.4 †	Amendment #3 to Amended and Restated Master Services Agreement between Qwest Corporation and Synacor, Inc. dated December 7, 2012	10-Q	001-33843	5/15/2014	10.2.1	
10.6.5 †	Fifth Amendment to Amended and Restated Master Services Agreement between Qwest Corporation and Synacor, Inc. dated January 29, 2013	10-Q	001-33843	5/15/2014	10.2.2	

Exhibit No.	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Date of Filing	Exhibit Number	
10.6.6 †	Sixth Amendment to Amended and Restated Master Services Agreement between Qwest Corporation and Synacor, Inc. dated November 1, 2013	10-Q	001-33843	5/15/2014	10.2.3	
10.6.7	Seventh Amendment to Amended and Restated Master Services Agreement between Qwest Corporation and Synacor, Inc. dated October 12, 2014	10-K/A	001-33843	3/13/2015	10.10.7	
10.6.8 †	Eighth Amendment to Amended and Restated Master Services Agreement between Qwest Corporation and Synacor, Inc. dated December 18, 2015	10-K	001-33843	3/22/2016	10.7.8	
10.6.9 #	Ninth Amendment to Amended and Restated Master Services Agreement between Qwest Corporation and Synacor, Inc. dated December 30, 2016					X
10.7 *	2007 Management Cash Incentive Plan	10-Q	001-33843	5/15/2012	10.1	
10.8.1 †	Master Services and Linking Agreement between Toshiba America Information Systems, Inc. and Synacor, Inc. dated July 1, 2010	S-1/A	333-178049	2/1/2012	10.12	
10.8.2 †	Amendment #1 to Master Services and Linking Agreement between Toshiba America Information Systems, Inc. and Synacor, Inc. dated December 1, 2011	10-Q	001-33843	11/14/2013	10.2.1	
10.8.3 †	Amendment #2 to Master Services and Linking Agreement between Toshiba America Information Systems, Inc. and Synacor, Inc. dated September 4, 2013	10-Q	001-33843	11/14/2013	10.2.2	
10.8.4 †	Amendment #3 to Master Services and Linking Agreement between Toshiba America Information Systems, Inc. and Synacor, Inc. dated September 4, 2013	10-Q	001-33843	11/14/2013	10.2.3	
10.8.5	Amendment #4 to Master Services and Linking Agreement between Toshiba America Information Systems, Inc. and Synacor, Inc. dated September 4, 2013	10-Q	001-33843	11/14/2013	10.2.4	
10.8.6 †	Statement of Work #1 governed by Master Services and Linking Agreement between Toshiba America Information Systems, Inc. and Synacor, Inc. dated September 24, 2013	10-Q	001-33843	11/14/2013	10.2.5	
10.8.7	Amendment #5 to Master Services and Linking Agreement between Toshiba America Information Systems, Inc. and Synacor, Inc. dated September 25, 2014	10-Q	001-33843	11/14/2014	10.2	
10.8.8 †	Amendment #6 to Master Services and Linking Agreement between Toshiba America Information System, Inc. and Synacor, Inc. dated August 5, 2014	10-K/A	001-33843	3/13/2015	10.12.8	

Exhibit No.	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Date of Filing	Exhibit Number	
10.8.9 †	Marketing Services Statement of Work governed by Master Services and Linking Agreement between Toshiba America Information Systems, Inc. and Synacor, Inc. dated December 22, 2014	10-K/A	001-33843	3/13/2015	10.12.9	
10.8.10 †	Amendment #7 to Master Services and Linking Agreement between Toshiba America Information Systems, Inc. and Synacor, Inc., effective September 15, 2015	10-Q	001-33843	11/17/2015	10.2	
10.8.11	Amendment #8 to Master Services and Linking Agreement between Toshiba America Information Systems, Inc., and Synacor, Inc. effective April 1, 2016	10-Q	001-33843	8/15/2016	10.3	
10.9.1 †	Google Services Agreement between Google Inc. and Synacor, Inc. dated March 1, 2011	S-1/A	333-178049	2/1/2012	10.13.1	
10.9.2 †	Amendment Number One to Google Services Agreement between Google Inc. and Synacor, Inc. dated July 1, 2011	S-1/A	333-178049	12/29/2011	10.13.2	
10.9.3 †	Amendment Number Two to Google Services Agreement between Google Inc. and Synacor, Inc. dated May 1, 2012	10-Q	001-33843	8/13/2013	10.1.1	
10.9.4 †	Amendment Number Three to Google Services Agreement between Google Inc. and Synacor, Inc. dated May 1, 2013	10-Q	001-33843	8/13/2013	10.1.2	
10.9.5 †	Amendment Number Four to Google Services Agreement between Google Inc. and Synacor, Inc. dated March 1, 2014	10-Q	001-33843	5/15/2014	10.1	
10.9.6 †	Amendment Number Five to Google Services Agreement between Google Inc. and Synacor, Inc. dated August 1, 2014	10-K/A	001-33843	3/13/2015	10.13.6	
10.9.7 †	Amendment Number Six to Google Services Agreement between Google Inc. and Synacor, Inc. dated January 1, 2015	10-Q	001-33843	5/14/2015	10.1	
10.9.8 †	Amendment Number Seven to Google Services Agreement between Google Inc. and Synacor, Inc. dated March 1, 2016	10-Q	001-33843	5/16/2016	10.3	
10.9.9	Extension Notice Letter from Google Inc. dated December 16, 2016					X
10.10.1	Sublease dated March 3, 2006 between Ludlow Technical Products Corporation and Synacor, Inc.	S-1	333-178049	11/18/2011	10.14.1	
10.10.2	First Amendment to Sublease dated September 25, 2006	S-1	333-178049	11/18/2011	10.14.2	
10.10.3	Second Amendment to Sublease dated February 27, 2007	S-1	333-178049	11/18/2011	10.14.3	
10.10.4	Third Amendment to Sublease dated June 30, 2010	10-K	001-33843	3/22/2016	10.11.4	

Exhibit No.	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Date of Filing	Exhibit Number	
10.10.5	Fourth Amendment to Sublease dated May 21, 2013	10-K	001-33843	3/22/2016	10.11.5	
10.10.6	Fifth Amendment to Sublease dated July 10, 2013	10-K	001-33843	3/22/2016	10.11.6	
10.10.7	Sixth Amendment to Sublease dated February 8, 2016	10-K	001-33843	3/22/2016	10.11.7	
10.11.1 *	Letter Agreement dated March 1, 2008 with Jordan Levy	S-1/A	333-178049	1/30/2012	10.15.1	
10.11.2 *	Letter Agreement dated June 23, 2009 with Jordan Levy	S-1/A	333-178049	1/30/2012	10.15.2	
10.11.3 *	Letter Agreement dated March 1, 2008 with George G. Chamoun	S-1/A	333-178049	1/30/2012	10.15.5	
10.11.4 *	Letter Agreement dated June 23, 2009 with George G. Chamoun	S-1/A	333-178049	1/30/2012	10.15.6	
10.12 *	Form of Common Stock Repurchase Agreement	S-1/A	333-178049	1/30/2012	10.16	
10.13.1 *	Special Purpose Recruitment Plan	Schedule 14A	001-33843	4/5/2013	App. A	
10.13.2 *	Form of Stock Option Agreement (Early Exercise) under Special Purpose Recruitment Plan	10-Q	001-33843	8/13/2013	10.5	
10.14.1	Loan and Security Agreement between Silicon Valley Bank and Synacor, Inc. dated September 27, 2013	10-Q	001-33843	11/14/2013	10.1	
10.14.2	First Amendment to the Loan and Security Agreement between Silicon Valley Bank and Synacor, Inc. dated October 28, 2014	10-K	001-33843	3/12/2015	10.20.2	
10.14.3	Joinder to Loan and Security Agreement among Silicon Valley Bank, Synacor, Inc., and NTV Internet Holdings, LLC dated April 13, 2015	10-K	001-33843	3/22/2016	10.16.3	
10.14.4	Second Amendment to Loan and Security Agreement among Silicon Valley Bank, Synacor, Inc., NTV Internet Holdings, LLC and SYNC Holdings, LLC dated September 25, 2015	10-Q	001-33843	11/17/2015	10.3	
10.14.5	Joinder to Loan and Security Agreement among Silicon Valley Bank, Synacor, Inc., NTV Internet Holdings, LLC and SYNC Holdings, LLC dated September 25, 2015	10-K	001-33843	3/22/2016	10.16.5	
10.14.6	Third Amendment to Loan and Security Agreement among Silicon Valley Bank, Synacor, Inc., NTV Internet Holdings, LLC and SYNC Holdings, LLC dated October 28, 2015	10-K	001-33843	3/22/2016	10.16.6	
10.14.7	Consent and Fourth Amendment to Loan and Security Agreement among Silicon Valley Bank, Synacor, Inc., NTV Internet Holdings, LLC and SYNC Holdings, LLC dated February 25, 2016	10-Q	001-33843	5/16/2016	10.2	

Exhibit No.	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Date of Filing	Exhibit Number	
10.14.8	Consent and Fifth Amendment to Loan and Security Agreement among Silicon Valley Bank, Synacor, Inc., NTV Internet Holdings, LLC and SYNC Holdings, LLC dated November 8, 2016	10-Q	001-33843	11/14/2016	10.2	
10.15.1 *	Employment Letter Agreement with Himesh Bhise dated August 4, 2014	10-Q	001-33843	11/14/2014	10.1.1	
10.15.2 *	Stock Option Agreement with Himesh Bhise granted on August 4, 2014	10-Q	001-33843	11/14/2014	10.1.2	
10.16.1 †	Portal and Advertising Services Agreement between Synacor, Inc. and AT&T Services, Inc. made as of April 1, 2016	10-Q	001-33843	8/15/2016	10.1	
10.16.2 †	First Amendment to Portal and Advertising Services Agreement between Synacor, Inc. and AT&T Services, Inc. effective as of May 4, 2016.	10-Q	001-33843	8/15/2016	10.2	
10.16.3 #	Second Amendment to Portal and Advertising Services Agreement between Synacor, Inc. and AT&T Services, Inc. effective as of December 7, 2016.					X
21.1	List of subsidiaries					X
23.1	Consent of Deloitte & Touche LLP					X
24.1	Power of Attorney (contained in the signature page of this Annual Report on Form 10-K)					X
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1 ‡	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase					X
101.LAB	XBRL Taxonomy Extension Label Linkbase					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase					X

Notes:

§ Refiled to include certain information that was previously redacted pursuant to a confidential treatment request. This agreement supersedes in its entirety Exhibit 2.1 to the current report on Form 8-K (File No. 001-33843) filed on February 29, 2016.

* Indicates management contract or compensatory plan or arrangement.

\# Confidential treatment has been requested for portions of this document. The omitted portions have been filed with the Securities and Exchange Commission

† Confidential treatment has been granted for portions of this document. The omitted portions have been filed with the Securities and Exchange Commission.

‡ This certification is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that Synacor, Inc. specifically incorporates it by reference.

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REPORT OF INDEPENDENT REGIST ERED PUB LIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Synacor, Inc.
Buffalo, New York

We have audited the accompanying consolidated balance sheets of Synacor, Inc. and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Synacor, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Williamsville, New York
March 21, 2017

SYNACOR, INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2016 AND 2015
(In thousands except for share and per share data)

	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 14,315	$ 15,697
Accounts receivable—net of allowance of $263 and $372	27,386	24,341
Prepaid expenses and other current assets	4,862	3,290
Total current assets	46,563	43,328
PROPERTY AND EQUIPMENT—Net	14,406	14,377
GOODWILL	15,943	15,187
INTANGIBLE ASSETS	14,837	14,798
OTHER LONG-TERM ASSETS	1,650	1,336
TOTAL ASSETS	$ 93,399	$ 89,026
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 18,769	$ 9,004
Accrued expenses and other current liabilities	11,684	9,765
Current portion of deferred revenue	12,149	11,295
Current portion of capital lease obligations	982	1,574
Total current liabilities	43,584	31,638
LONG-TERM PORTION OF CAPITAL LEASE OBLIGATIONS	1,014	1,007
LONG-TERM DEBT	5,000	5,000
DEFERRED REVENUE	3,917	3,225
OTHER LONG-TERM LIABILITIES	235	2,052
Total liabilities	53,750	42,922
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.01 par value—10,000,000 shares authorized, no shares issued and outstanding at December 31, 2016 and 2015	—	—
Common stock, $0.01 par value—100,000,000 shares authorized; 31,626,635 shares issued and 30,881,148 shares outstanding at December 31, 2016; 30,636,327 shares issued and 29,983,279 shares outstanding at December 31, 2015	316	306
Treasury stock—at cost, 745,487 shares at December 31, 2016 and 653,048 shares at December 31, 2015	(1,547)	(1,332)
Additional paid-in capital	117,747	113,238
Accumulated deficit	(76,850)	(66,110)
Accumulated other comprehensive (loss) income	(17)	2
Total stockholders' equity	39,649	46,104
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 93,399	$ 89,026

The accompanying notes are an integral part of these consolidated financial statements.

SYNACOR, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(In thousands except for share and per share data)

	2016	2015	2014
REVENUE	$ 127,373	$ 110,245	$ 106,579
COSTS AND OPERATING EXPENSES:			
Cost of revenue (exclusive of depreciation and amortization shown separately below)	59,146	54,423	57,939
Technology and development (exclusive of depreciation and amortization shown separately below)	25,612	20,007	26,259
Sales and marketing	22,846	16,272	10,807
General and administrative (exclusive of depreciation and amortization shown separately below)	19,695	15,543	14,249
Depreciation and amortization	9,235	6,901	5,126
Gain on sale of domain	—	—	(1,000)
Total costs and operating expenses	136,534	113,146	113,380
LOSS FROM OPERATIONS	(9,161)	(2,901)	(6,801)
OTHER EXPENSE	(42)	(16)	(28)
INTEREST EXPENSE	(318)	(245)	(218)
LOSS BEFORE INCOME TAXES AND EQUITY INTEREST	(9,521)	(3,162)	(7,047)
PROVISION FOR INCOME TAXES	1,219	239	4,821
LOSS IN EQUITY INTEREST	-	(73)	(1,063)
NET LOSS	$ (10,740)	$ (3,474)	$ (12,931)
NET LOSS PER SHARE:			
Basic	$ (0.36)	$ (0.12)	$ (0.47)
Diluted	$ (0.36)	$ (0.12)	$ (0.47)
WEIGHTED AVERAGE SHARES USED TO COMPUTE NET LOSS PER SHARE:			
Basic	30,251,685	28,213,838	27,389,793
Diluted	30,251,685	28,213,838	27,389,793

The accompanying notes are an integral part of these consolidated financial statements.

SYNACOR, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(In thousands)

	2016	2015	2014
Net loss	$ (10,740)	$ (3,474)	$ (12,931)
Other comprehensive loss:			
Change in foreign currency translation adjustment, net of tax	(19)	(18)	18
Comprehensive loss	$ (10,759)	$ (3,492)	$ (12,913)

The accompanying notes are an integral part of these consolidated financial statements.

SYNACOR , INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(In thousands except for share data)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount				
BALANCE—January 1, 2014	27,684,598	$ 277	(319,500)	$ (569)	$ 102,226	$ (49,705)	$ 2	$ 52,231
Exercise of common stock options	246,880	2	—	—	66	—	—	68
Stock-based compensation cost	—	—	—	—	3,669	—	—	3,669
Vesting of restricted stock units	13,375	—	—	—	—	—	—	—
Treasury stock withheld to cover tax liability	—	—	(4,594)	(11)	—	—	—	(11)
Purchase of treasury stock	—	—	(229,050)	(562)	—	—	—	(562)
Net loss	—	—	—	—	—	(12,931)	—	(12,931)
Other comprehensive income	—	—	—	—	—	—	18	18
BALANCE—December 31, 2014	27,944,853	279	(553,144)	(1,142)	105,961	(62,636)	20	42,482
Exercise of common stock options	36,135	—	—	—	70	—	—	70
Stock and warrants issued in acquisition	2,400,000	24	—	—	3,936	—	—	3,960
Stock-based compensation cost	—	—	—	—	3,271	—	—	3,271
Vesting of restricted stock units	255,339	3	—	—	—	—	—	3
Treasury stock withheld to cover tax liability	—	—	(99,904)	(190)	—	—	—	(190)
Net loss	—	—	—	—	—	(3,474)	—	(3,474)
Other comprehensive loss	—	—	—	—	—	—	(18)	(18)
BALANCE—December 31, 2015	30,636,327	306	(653,048)	(1,332)	113,238	(66,110)	2	46,104
Exercise of common stock options	751,481	8	—	—	1,552	—	—	1,560
Stock-based compensation cost	—	—	—	—	2,957	—	—	2,957
Vesting of restricted stock units	238,827	2	—	—	—	—	—	2
Treasury stock withheld to cover tax liability	—	—	(92,439)	(215)	—	—	—	(215)
Net loss	—	—	—	—	—	(10,740)	—	(10,740)
Other comprehensive loss	—	—	—	—	—	—	(19)	(19)
BALANCE—December 31, 2016	31,626,635	$ 316	(745,487)	$ (1,547)	$ 117,747	$ (76,850)	$ (17)	$ 39,649

The accompanying notes are an integral part of these consolidated financial statements.

SYNACOR, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(In thousands)

	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (10,740)	$ (3,474)	$ (12,931)
Adjustments to reconcile net loss to net cash and cash equivalents provided (used) by operating activities:			
Depreciation and amortization	9,235	6,901	5,126
Stock-based compensation expense	2,771	3,115	3,595
Capitalized software impairment	334	—	—
Provision for deferred income taxes	143	—	4,769
Loss in equity interest	—	73	1,063
Gain on sale of domain	—	—	(1,000)
Change in assets and liabilities:			
Accounts receivable, net	(2,080)	(362)	(5,910)
Prepaid expenses and other current assets	(1,572)	(547)	(367)
Other long-term assets	(314)	(167)	247
Accounts payable	8,706	(3,579)	(359)
Accrued expenses and other current liabilities	580	2,090	2,665
Deferred revenue	1,546	3,478	—
Other long-term liabilities	(360)	122	(207)
Net cash provided (used) by operating activities	8,249	7,650	(3,309)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(5,939)	(3,236)	(4,982)
Acquisition net of cash acquired	(2,500)	(17,260)	—
Proceeds from sale of domain	—	—	1,000
Investment in equity interest	—	—	(772)
Net cash used by investing activities	(8,439)	(20,496)	(4,754)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from bank financing	—	5,000	—
Repayments on capital lease obligations	(1,672)	(1,442)	(2,258)
Proceeds from exercise of common stock options	1,560	70	68
Purchase of treasury stock and shares received to satisfy minimum tax withholdings	(215)	(190)	(562)
Deferred acquisition payment	(860)	(495)	—
Net cash (used) provided by financing activities	(1,187)	2,943	(2,752)
Effect of exchange rate changes on cash and cash equivalents	(5)	—	18
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,382)	(9,903)	(10,797)
CASH AND CASH EQUIVALENTS—Beginning of year	15,697	25,600	36,397
CASH AND CASH EQUIVALENTS—End of year	$ 14,315	$ 15,697	$ 25,600
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for interest	$ 318	$ 212	$ 219
Cash paid for income taxes	$ 737	$ 210	$ 112
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING TRANSACTIONS:			
Property, equipment and service contracts financed under capital lease obligations	$ 982	$ 1,173	$ 1,961
Contingent consideration	$ 567	$ 1,600	$ —
Fair value of common stock and warrants in acquisition	$ —	$ 3,960	$ —
Accrued property and equipment expenditures	$ 227	$ 21	$ 117
Stock-based compensation capitalized to property and equipment	$ 186	$ 159	$ 74

The accompanying notes are an integral part of these consolidated financial statements.

1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Synacor, Inc., together with its consolidated subsidiaries (collectively, the “Company” or “Synacor”), is the trusted technology development, multiplatform services and revenue partner for video, internet and communications providers, device manufacturers, governments and enterprises. Synacor enables its customers to provide their consumers engaging, multiscreen experiences and advertising to their consumers that require scale, actionable data and sophisticated implementation.

Basis of Presentation —The consolidated financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”) and include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Accounts Receivable —The Company records accounts receivable at the invoiced amount and does not charge interest on past due invoices. An allowance for doubtful accounts is maintained to reserve for potentially uncollectible accounts receivable. The Company reviews its accounts receivable from customers that are past due to identify specific accounts with known disputes or collectability issues. In determining the amount of the reserve, the Company makes judgments about the creditworthiness of customers based on ongoing credit evaluations.

Property and Equipment —Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	3–10 years
Computer hardware	5 years
Computer software	3 years
Furniture and fixtures	7 years
Other	3–5 years

Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the assets.

Long-Lived Assets —The Company reviews the carrying value of its long-lived assets, exclusive of goodwill, for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. For purposes of evaluating and measuring impairment, the Company groups a long-lived asset or assets with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. There have been no material impairments to long-lived assets in any of the years presented.

The components and estimated economic lives of our amortizable intangible assets were as follows as of December 31, 2016 and 2015:

	Estimated Economic Life	2016	2015
		(Dollars in thousands)	
Gross amortizable intangible assets:			
Customer relationships	10 years	$ 14,780	$ 13,400
Trademark	5 years	300	300
Developed technology	5 years	2,330	1,600
Total gross amortizable intangible assets		17,410	15,300
Accumulated amortization:			
Customer relationships		(1,961)	(391)
Trademark		(78)	(18)
Developed technology		(534)	(93)
Total accumulated amortization		(2,573)	(502)
Amortizable intangible assets, net		$ 14,837	$ 14,798

Future amortization expense of amortizable intangible assets will be as follows (in thousands): $2,142 in each of years ending December 31, 2017 through 2019, $2,031 in the year ending December 31, 2020, $1,411 in the year ending December 31, 2021, and $4,969 thereafter.

Goodwill —Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired in a business combination. Goodwill is not amortized, but is tested for impairment on an annual basis and more frequently if impairment indicators are present. Goodwill is considered impaired if the carrying value of the reporting unit exceeds its estimated fair value. The Company has determined it is a single reporting unit, and estimates its fair value using a market approach. If the carrying value of the reporting unit were to exceed its estimated fair value, the second step of the goodwill impairment test is performed by comparing the carrying value of the goodwill in the reporting unit to its implied fair value. An impairment charge would then be recognized for the excess of the carrying value of goodwill over its implied estimated fair value. The Company conducts its annual goodwill impairment test as of October 1st. For the years ended December 31, 2016, 2015 and 2014, the Company determined goodwill was not impaired.

The change in goodwill is as follows for the years ended December 31, 2016 and 2015 (in thousands):

	Years Ended December 31, 2016	2015
Balance, beginning of year	$ 15,187	$ 1,565
Technorati acquisition related goodwill (Note 2)	$ 751	—
Zimbra acquisition related goodwill (Note 2)	—	13,622
Foreign currency revaluation	5	—
Balance, end of year	$ 15,943	$ 15,187

Revenue Recognition —The Company derives revenue from two categories: revenue generated from its Managed Portals and Advertising activities and Recurring and Fee-Based revenue, each of which is described below. Advertising and Recurring and Fee-Based revenue are recognized when the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred; the selling price is fixed or determinable; and collectability is reasonably assured. The following table shows the revenue in each category for the years ended December 31, 2016, 2015 and 2014 (in thousands):

	Year Ended December 31, 2016	2015	2014
Search and digital advertising	$ 74,889	$ 78,316	$ 83,906
Recurring and fee-based	52,484	31,929	22,673
Total revenue	$ 127,373	$ 110,245	$ 106,579

The Company uses internet advertising to generate revenue from the traffic on its Managed Portals categorized as search advertising and digital advertising.

- In the case of search advertising, the Company has a revenue-sharing relationship with Google, pursuant to which it includes a Google-branded search tool on its Managed Portals. When a consumer makes a search query using this tool, the Company delivers the query to Google and they return search results to consumers that include advertiser-sponsored links. If the consumer clicks on a sponsored link, Google receives payment from the sponsor of that link and shares a portion of that payment with the Company, which is recognized as revenue.
- Digital advertising includes video, image and text advertisements delivered on one of the Company's Managed Portals. Advertising inventory is filled with advertisements sourced by the Company's direct sales force, independent advertising sales representatives, and also advertising network partners. Revenue is generated for the Company when an advertisement displays, otherwise known as an impression, or when consumers view or click an advertisement, otherwise known as an action. Digital advertising revenue is calculated on a per-impression or per-action basis. Revenue is recognized as the impressions are delivered or the actions occur, according to contractual rates.

Recurring and Fee-Based revenue represents subscription fees and other fees that the Company receives from customers for the use of its proprietary technology, including the use of, or access to, email, video solutions, Cloud ID, security services, games and other premium services and paid content. Monthly subscriber levels typically form the basis for calculating and generating Recurring and Fee-Based revenue. They are generally determined by multiplying a per-subscriber per-month fee by the number of subscribers using the particular services being offered or consumed. In other cases, the fee is fixed. Revenue is recognized from customers as the services are delivered.

The Company evaluates its relationship between search and digital advertising revenue and its Managed Portal customers in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 605-45, *Principal Agent Considerations* . The Company has determined that the search and digital advertising revenue derived from the internet traffic on Managed Portals is reported on a gross basis because the Company is the primary obligor (Synacor is responsible to its customers for fulfilling search and digital advertising services and premium and other services), is involved in the service specifications, performs part of the service, has discretion in supplier selection, has latitude in establishing price and bears credit risk.

Certain Recurring and Fee-Based revenue is derived from the sale of software licenses on a perpetual or subscription basis, for which revenue is recognized upon receipt of an external agreement and delivery of the software, provided the fees are fixed and determinable, and collection is probable. For agreements that include one or more elements to be delivered at a future date, revenue is recognized using the residual method, under which the vendor-specific objective evidence ("VSOE") of fair value of the undelivered elements is deferred, and the remaining portion of the agreement fee is recognized as license revenue. If VSOE of fair value has not been established for certain undelivered elements, revenue is deferred until those elements have been delivered or their fair values have been determined.

Cost of Revenue —Cost of revenue consists primarily of revenue sharing, content acquisition costs, co-location facility costs, royalty costs and product support costs. Revenue sharing consists of amounts accrued and paid to customers for the internet traffic on Managed Portals where the Company is the primary obligor, resulting in the generation of search and digital advertising revenue. The revenue-sharing agreements with customers are primarily variable payments based on a percentage of the search and digital advertising revenue.

Content-acquisition agreements may be based on a fixed payment schedule, on the number of subscribers per month, or a combination of both. Fixed-payment agreements are expensed on a straight-line basis over the term defined in the agreement. Agreements based on the number of subscribers are expensed on a monthly basis. Co-location facility costs consist of rent and operating costs for the Company's data center facilities. Royalty costs consist of amounts due to other parties for sale of mailboxes with third party technology enabled. Product support costs consist of employee and operating costs directly related to the Company's maintenance and professional services support.

Concentrations of Risk —As of December 31, 2016, the Company had no customers whose outstanding balance due the Company equaled or exceeded 10% of the Company's total accounts receivable. As of December 31, 2015, the Company had one customer, Google, whose balance represented approximately 14% of the Company's accounts receivable balance. For the years ended December 31, 2016, 2015 and 2014 the Company had concentrations equal to or exceeding 10% of the Company's revenue as follows:

	Revenue		
	2016	2015	2014
Google	12%	28%	42%

For the years ended December 31, 2016, 2015 and 2014, the following customers received revenue-share payments equal to or exceeding 10% of the Company's cost of revenue.

	Cost of Revenue		
	2016	2015	2014
Customer A	22%	26%	22%
Customer B	*	10%	12%
Customer C	*	*	10%
Customer D	*	*	12%

* less than 10%

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents. The Company places its cash primarily in checking and money market accounts with high credit quality financial institutions, which, at times, have exceeded federally insured limits of $0.25 million. Although the Company maintains balances that exceed the federally insured limit, it has not experienced any losses related to these balances and believes credit risk to be minimal.

Software Development Costs —Costs incurred during the preliminary project stage for internal software programs are expensed as incurred. External and internal costs incurred during the application development stage of new software development as well as for upgrades and enhancements for software programs that result in additional functionality are capitalized. In 2016, 2015 and 2014, the Company incurred $4.5 million, $2.8 million and $3.4 million of combined internal and external costs related to the application development stage. Internal and external training and maintenance costs are expensed as incurred.

Technology and Development —Technology and development expenses consist primarily of compensation-related expenses incurred for the research and development of, enhancements to, and maintenance and operation of the Company's products, equipment and related infrastructure.

Sales and Marketing —Sales and marketing expenses consist primarily of compensation-related expenses to the Company's direct sales and marketing personnel, as well as costs related to advertising, industry conferences, promotional materials, and other sales and marketing programs. Advertising costs are expensed as incurred. Advertising costs totaled $0.4 million, $0.1 million and $0.0 in 2016, 2015 and 2014, respectively.

General and Administrative —General and administrative expenses consist primarily of compensation related expenses for executive management, finance, accounting, human resources, professional fees and other administrative functions.

Sale of Domain —In June 2014, the Company executed a transaction to sell a domain name of its legacy business. The sale amounted to $1.0 million and the entire amount was recorded as a gain on the sale in the accompanying consolidated statement of operations for the year ended December 31, 2014. The sale was unique to 2014 and no such transactions occurred in the comparative periods.

Earnings (Loss) Per Share —Basic earnings (loss) per share ("EPS") is calculated in accordance with FASB ASC 260, *Earnings per Share* , using the weighted average number of common shares outstanding during each period. Diluted EPS assumes the conversion, exercise or issuance of all potential common stock equivalents unless the effect is to reduce a loss or increase the income per share. For purposes of this calculation, stock options, warrants and restricted stock units ("RSUs") are considered to be potential common shares and are only included in the calculation of diluted earnings (loss) per share when their effect is dilutive.

Stock-Based Compensation —The Company records compensation costs related to stock-based awards in accordance with FASB ASC 718, *Compensation—Stock Compensation* . Under the fair value recognition provisions of ASC 718, the Company measures stock-based compensation cost at the grant date based on the estimated fair value of the award. Compensation cost is recognized ratably over the requisite service period of the award. The Company utilizes the Black-Scholes option-pricing model to estimate the fair value of stock options granted. The amount of stock-based compensation expense recognized during a period is based on the portion of the awards that are ultimately expected to vest. The Company estimates pre-vesting forfeitures at the time of grant by analyzing historical data and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. The total expense recognized over the vesting period will only be for those awards that ultimately vest.

Rights Plan —On July 14, 2014 the board of directors declared a dividend of one preferred share purchase right (a "Right") for each outstanding share of the Company's common stock and adopted a stockholder rights plan (the "Rights Plan"). The Rights were iss ued on July 14, 2014 to the stockholders of record at the close of business on that date. Each Right allows its holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock (a " Series A Junior Preferred Share") for $10.00 per share (the "Exercise Price"), if the Rights become exercisable. This portion of a Series A Junior Preferred Share will give the stockholder approximately the same dividend, voting, and liquidation rights as would one share of common stock. Prior to exercise, the Right does not give its holder any dividend, voting, or liquidation rights. On July 14, 2014, in conjunction with the adoption of the Rights Plan, the Company designated 2,000,000 shares of its Preferred Stock as Series A Jun ior Participating Preferred Stock.

The Rights will not be exercisable until 10 days after the public announcement that a person or group has become an "Acquiring Person" by obtaining beneficial ownership of 10% or more of the Company's outstanding common stock (the "Distribution Date"). If a person or group becomes an Acquiring Person, each Right will entitle its holder (other than such Acquiring Person) to purchase for $10.00 per share, a number of shares of the Company's common stock having a market value of twice such price based on the market price of the common stock prior to such acquisition. Additionally, if the Company is acquired in a merger or similar transaction after the Distribution Date, each Right will entitle its holder (other than such Acquiring Person) to purchase for $10.00 per share, a number of shares of the acquiring corporation with a market value of $20.00 per share based on the market price of the acquiring corporation's stock, prior to such merger. In addition, at any time after a person or group becomes an Acquiring Person, but before such Acquiring Person or group owns 50% or more of the Company's common stock, the board of directors may exchange one share of the Company's common stock for each outstanding Right (other than Rights owned by such Acquiring Person, which would have become void). An Acquiring Person will not be entitled to exercise the Rights.

On April 20, 2015, the Company's stockholders ratified the Rights Plan. The Company expects that the Rights Plan will expire on July 14, 2017 in accordance with its terms.

On August 18, 2015, the Company amended the definition of "Acquiring Person" to provide that (i) issuances of securities under plans, contracts or arrangements approved by the board of directors or its compensation committee as compensation for service as a director, employee or consultant of Synacor or any of its subsidiaries will not trigger the exercisability of the Rights and (ii) issuances of securities in consideration for the acquisition of assets or a business in a transaction approved by the board of directors will not trigger the exercisability of the Rights.

Business Combinations —The Company records its business combinations under the acquisition method of accounting. Under this method, the Company allocates the purchase price of each acquisition to the tangible and identifiable intangible assets acquired and liabilities assumed based on their respective fair values at the date of acquisition. The fair value of identifiable intangible assets is based upon detailed valuations that use various assumptions made by management. Any excess of the purchase price over the fair value of net tangible and identifiable intangible assets acquired is allocated to goodwill. All direct acquisition-related costs are expensed as incurred.

The following methodology and assumptions are considered relevant to the fair value judgments related to acquired intangible assets and assumed liabilities:

- Technology and Trademark intangible assets—valued based on discounted cash flows using the relief from royalty method (a form of an income approach)
- Customer Relationship—valued based on a multi-period excess earnings method (a form of an income approach)
- Deferred Revenue—valued based on a cost approach using estimated costs to be incurred in connection with the continuing legal obligation associated with acquired contracts plus a reasonable profit margin.

Business assumptions, such as projections of revenue, costs to fulfill acquired contracts, applicable royalty rates, and future profitability are key assumptions included in the methods described above.

In circumstances where an acquisition involves a contingent consideration arrangement, the Company recognizes a liability equal to the fair value of the contingent payments it expects to make as of the acquisition date. The Company remeasures this liability each reporting period and records changes in the fair value through other expense in the consolidated statement of operations. Increases or decreases in the fair value of the contingent consideration liability can result from changes in discount periods and rates, as well as changes in the timing, amount of, or the likelihood of achieving the applicable contingent consideration.

Income Taxes —Deferred income tax assets and liabilities are determined based on temporary differences between the financial statement and income tax bases of assets and liabilities and net operating loss ("NOL") and credit carryforwards using enacted income tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is established to the extent necessary to reduce deferred income tax assets to amounts that more likely than not will be realized.

The Company accounts for uncertain tax positions using a more-likely-than-not recognition threshold based on the technical merits of the tax posi tion taken. Tax benefits that meet the more-likely-than-not recognition threshold should be measured as the largest amount of tax benefits, determined on a cumulative probability basis, which is more likely than not to be realized upon ultimate settlement in the financial statements. It is the Company’s policy to recognize interest and penalties related to income tax matters in income tax expense. As of December 31, 2016 and 2015, accrued interest or penalties related to uncertain tax positions was insignif icant.

Reduction In Workforce —On September 28, 2014, the Company’s board of directors approved a cost reduction plan. The plan involved a reduction in the Company’s workforce by approximately 70 employees. The pre-tax severance charge and outplacement services resulting from the reduction in workforce, combined with the Company’s separation from its former Chief Operating Officer, amounted to $1.3 million. Of the $1.3 million in costs, $0.5 million was recorded to technology and development, $0.2 million was recorded to sales and marketing and $0.6 million was recorded to general and administrative in the accompanying consolidated statement of operations for the year ended December 31, 2014.

Accounting Estimates —The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts.

Investment — In July 2013, the Company made a $1.0 million investment (in the form of a convertible promissory note) in a privately held Delaware corporation called Blazer and Flip Flops, Inc. (“B&FF” doing business as The Experience Engine). In March 2015, the note was converted into preferred stock of B&FF and is accounted for as a cost method investment. B&FF is a professional services company whose principals have experience integrating its customers’ systems with their customers’ devices, including smartphones and tablets.

Fair Value Measurements —Fair value measurement standards apply to certain financial assets and liabilities that are measured at fair value on a recurring basis at each reporting period. The fair value of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other current liabilities approximates their carrying value due to their short-term nature. The carrying amounts of the Company’s capital leases approximate fair value of these obligations based upon management’s best estimates of interest rates that would be available for similar debt obligations at December 31, 2016 and 2015. The carrying value of our long-term debt approximates its fair value due to its variable interest rate. The fair value of accrued contingent consideration recorded by the Company represents the estimated fair value of the contingent consideration the Company expects to pay.

The provisions of FASB ASC 820, *Fair Value Measurements and Disclosures* , establishes a framework for measuring the fair value in accounting principles generally accepted in the U.S. and establishes a hierarchy that categorizes and prioritizes the sources to be used to estimate fair value as follows:

Level 1 —Level 1 inputs are defined as observable inputs such as quoted prices in active markets.

Level 2 —Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 —Level 3 inputs are unobservable inputs that reflect the Company’s determination of assumptions that market participants would use in pricing the asset or liability. These inputs are developed based on the best information available, including the Company’s own data.

Applicable Recent Accounting Pronouncements —In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09 (ASU 2014-09) *Revenue from Contracts with Customers* . ASU 2014-09 supersedes the revenue recognition requirements in “Revenue Recognition (Topic 605)” and requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14 *Revenue from Contracts with Customers: Deferral of the Effective Date* , which deferred the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017, with earlier application permitted as of annual reporting periods beginning after December 15, 2016. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* , to clarify the implementation guidance on principal versus agent. In April 2016, the FASB issued ASU 2016-10, *Revenue from*

Contracts with Customers (Topic 606): Identifying Performan ce Obligations and Licensing, providing additional guidance relating to identifying performance obligations under ASU 2014-09 as well as licensing.

The Company is currently in the process of assessing the financial impact of adopting these ASUs and the methods of adoption. The Company currently recognizes subscription revenue from its Email/Collaboration contracts, which is included within recurring and fee-based revenue, over the life of the contracts (which are typically six months or longer). The Company has tentatively concluded that it is likely that this new guidance will require it to recognize a portion of the revenue from those contracts upon delivery, at the inception of the contracts, which would have the effect of accelerating recognition of revenue on such contracts, and may have a material impact on the Company's consolidated financial statements. The standard will be effective for the Company beginning January 1, 2018, and adoption as of the original effective date of January 1, 2017 is permitted. The Company anticipates adopting the standard as of its effective date of January 1, 2018. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). The Company has not yet determined which transition method it will use.

In February 2016, the FASB issued ASU 2016-02 *Leases (Topic 842)* which amends lease accounting by lessors and lessees. This new standard will require, among other things, that lessees recognize a right-to-use asset and related lease liability for all significant financing and operating leases, and specifies where in the statement of cash flows the related lease payments are to be presented. The standard is effective for years beginning after December 15, 2018, including interim periods within those years (beginning in calendar year 2019 for the Company), and early adoption is permitted. Adoption of ASU 2016-02 is required to be applied on a modified retrospective basis. The Company is currently in the process of evaluating the impact the adoption of ASU 2016-02 will have on its consolidated financial statements, but currently expects that most of its operating lease commitments will be subject to the new standard and recognized as operating lease liabilities and right-of-use assets upon the adoption of ASU 2016-02, which will increase the total assets and total liabilities that it reports as compared to reported prior to adoption. The Company has not yet determined whether it will adopt the standard in advance of the required effective date.

In March 2016, the FASB issued ASU 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* (ASU 2016-09). ASU 2016-09 changes how companies account for certain aspects of stock-based awards to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for the Company in the first quarter of 2017. The guidance will be applied either prospectively, retrospectively, or using a modified retrospective transition method, depending on the area covered in this update. The Company will adopt ASU 2016-09 in the first quarter of 2017. The adoption of this ASU is not expected to have a significant impact to our consolidated financial statements.

In August 2016, the FASB ASU 2016-15 *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* (ASU 2016-15), which provides guidance related to cash flows presentation and is effective for annual reporting periods beginning after December 15, 2017, subject to early adoption, which is permitted using a retrospective transition approach. ASU 2016-15 is intended to standardize the classification of certain cash receipts and cash payments in the Statement of Cash Flows, and is effective for the Company in its first quarter of fiscal 2018. The Company expects that it will adopt ASU 2016-15 in the first quarter of fiscal 2018 and is currently evaluating the impact of the pending adoption on its consolidated financial statements.

2. ACQUISITIONS

Technorati –

On February 19, 2016, the Company entered into an Asset Purchase Agreement to acquire substantially all of the assets of Technorati, Inc. ("Technorati"), an advertising technology company, for $3.0 million in cash (the "Purchase Price"). The Company completed the acquisition on February 26, 2016 (the "Closing").

The Company's motivations for completing the acquisition included the expectation that the acquisition would drive additional advertising demand, accelerate its content and advertising syndication strategy by giving the Company access to over 1,000 new publishers, and adding new tools for publishers to its existing platform. The Company also anticipated synergies and economies of scale by combining Technorati's publisher network, proprietary SmartWrapper solution and other advertising technology with its existing network of Managed Portals and Advertising solutions.

The assets acquired include Technorati's intellectual property and advertising technology platforms, customer and publisher relationships, accounts receivable and equipment. The Company also assumed certain obligations of Technorati, including post-Closing obligations under contracts assigned to the Company and the payment of outstanding liabilities to its publishers. Ten of Technorati's employees commenced employment with Synacor.

The Company paid $2.5 million of the Purchase Price at the Closing and withheld $0.5 million of the Purchase Price to secure Technorati's indemnification obligations under t he Asset Purchase Agreement. As of December 31, 2016, the Company owed Technorati approximately $0.1 million in post-closing working capital adjustments. Pursuant to the terms of the Asset Purchase Agreement, Technorati shall indemnify the Company for brea ches of its representations and warranties, breaches of covenants and certain other matters. The representations and warranties set forth in the Asset Purchase Agreement generally survived for 12 months following the Closing, with longer survival periods f or certain fundamental representations and warranties. There have been no claims for such breaches to date.

Consideration and Allocation of Purchase Price –

The transaction was accounted for as a purchase of a business in accordance with FASB ASC Topic 805, *Business Combinations* . Under this guidance, the fair value of the consideration was determined and the assets acquired and liabilities assumed have been recorded at their estimated fair values as of the date of acquisition. The excess of the consideration over the estimated fair values has been recorded as goodwill.

The transaction consideration, as well as the allocation of the purchase price to the assets acquired and liabilities assumed as of the date of the acquisition are presented in the table below. Management is responsible for determining, as of the Closing, the fair value of tangible and identifiable intangible assets acquired and liabilities assumed, and the estimated useful lives for any depreciable and amortizable assets. Management considered a number of factors, including reference to a valuation analysis performed solely for the purpose of this allocation in accordance with ASC Topic 805. The Company's estimates are based on assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. This analysis required the use of management's assumptions, which would not reflect unanticipated events and circumstances that may occur.

Consideration (in thousands):

Cash consideration	$	2,500
Fair value of indemnification holdback		500
Fair value of post-closing working capital adjustment		67
Total consideration	$	3,067

Purchase price allocation (in thousands):

Assets acquired:		
Accounts receivable	$	965
Property and equipment		96
Customer and publisher relationships		1,380
Technology		730
Goodwill		751
Total assets acquired		3,922
Liabilities assumed:		
Accounts payable and accrued expenses		855
Net assets acquired	$	3,067

The Company has used its best estimates and assumptions to value the assets acquired and liabilities assumed, and the purchase price allocation is not expected to materially change. It is expected that acquired goodwill will be deductible for United States tax purposes. The Company is amortizing technology and customer and publisher relationships over estimated useful lives of five years.

The indemnification holdback and post-closing working capital adjustment were accrued in Accrued Expenses and Other Current Liabilities at December 31, 2016 and were paid to the seller subsequent to that date.

The Company is not able to determine the amount of revenue and earnings recognized in the post-acquisition period as a result of integration activities.

Zimbra –

On August 18, 2015 the Company and Sync Holdings, LLC, its wholly-owned subsidiary, entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with Zimbra, Inc. (now known as TZ Holdings) to acquire certain assets related to TZ Holdings' email/collaboration products and services business, including certain of its wholly-owned foreign subsidiaries. The business acquired by the Company pursuant to the Asset Purchase Agreement is referred to herein as "Zimbra" or the "Purchased Business." The Purchased Busin ess includes software for email/collaboration, calendaring, file sharing, activity streams and social networks, among other things. The Zimbra software is used globally by service providers, governments and companies. The Company completed the acquisition (the "Acquisition") on September 14, 2015 (the "Closing").

Purchase Price —The total purchase price paid (including the fair value of the contingent consideration described below) for the Purchased Business was approximately $22.9 million. At the Closing, in consideration for the Purchased Business, the Company paid TZ Holdings $17.3 million in cash and issued to TZ Holdings 2.4 million shares of its common stock (such shares, the "Closing Stock Consideration"), valued at $3.1 million, and warrants to purchase 480,000 shares of common stock (the "Closing Warrants"). Additionally, TZ Holdings was eligible to receive additional consideration, estimated at $2.5 million, consisting of contingent cash consideration, warrants and additional shares of common stock, as described below.

Contingent Consideration — TZ Holdings was eligible to receive up to an additional $2.0 million (the "Earn Out Consideration") in cash upon the satisfaction of certain business performance milestones related to Zimbra after the Closing, subject to and contingent upon any reduction to satisfy indemnification claims (including pending claims), as further described in the Asset Purchase Agreement. The fair value of this contingent consideration was determined to be $1.6 million and was included in consideration paid. Of this amount, $0.9 million was paid during the year ended December 31, 2016, and the Company has a liability for estimated additional Earn Out Consideration in the amount of $0.6 million at December 31, 2016, to be paid during the second quarter of 2017. This liability is included in accrued expenses and other current liabilities.

Holdback —In addition to the Earn Out Consideration, the Company has held back an additional 600,000 shares of common stock (the "Holdback Stock" and together with the Closing Stock Consideration, the "Stock Consideration") and warrants to purchase an additional 120,000 shares of common stock (the "Holdback Warrants" and together with the Closing Warrants, the "Warrants") to secure TZ Holdings' indemnification obligations under the Asset Purchase Agreement. Any Holdback Shares and Holdback Warrants not used to satisfy indemnification claims (including pending claims) will be released to TZ Holdings eighteen months following the Closing. The Company recorded the Holdback Stock and the Holdback Warrants based on its estimated fair value at the Closing.

Additionally, the Company has assumed certain obligations of TZ Holdings, including the performance of TZ Holdings' post-closing obligations under contracts assigned to the Company.

Consideration:

Cash consideration	$	17,310
Fair value of 2,400,000 shares of common stock issued on September 14, 2015		3,132
Fair value of Closing and Holdback Warrants (warrants to purchase an aggregate of 600,000 shares of common stock)		45
Fair value of the Holdback Stock (600,000 shares of common stock) on September 14, 2015		783
Fair value of contingent consideration		1,600
Total purchase price	$	22,870

In connection with the Acquisition, TZ Holdings agreed not to sell, transfer or otherwise dispose of any portion of the Stock Consideration until the first anniversary of the Closing. Upon the first anniversary of the Closing, the restrictions will lapse with respect to 1/6th of the Stock Consideration, and upon the completion of each of the five months thereafter, the restrictions will lapse with respect to an additional 1/6th of the Stock Consideration. Following the lapse of such restrictions, TZ Holdings may transfer the Stock Consideration solely to its stockholders.

Allocation of Purchase Price —The purchase price allocation was determined in accordance with the accounting treatment of a business combination in accordance with the FASB ASC Topic 805, *Business Combinations* . Under the guidance, the fair value of the consideration was determined and the assets acquired and liabilities assumed have been recorded at their fair values at the date of acquisition. The excess of the purchase price over the estimated fair values has been recorded as goodwill.

The allocation of purchase price to the assets acquired and liabilities assumed as the date of the acquisition is presented in the table below. Management is responsible for determining the fair value of the tangible and identifiable intangible assets acquired and liabilities assumed as of the Closing. Management considered a number of factors, including reference to an analysis under FASB ASC Topic 805 solely for the purpose of allocating the purchase price to the assets acquired and liabilities assumed. The Company's estimates are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. These valuations require the use of management's assumptions, which wo uld not reflect unanticipated events and circumstances that occur.

Assets acquired:		
Cash and cash equivalents	$	50
Accounts receivable		3,500
Prepaid expenses and other current assets		451
Property and equipment		1,194
Other long-term assets		68
Goodwill		13,622
Intangible assets		15,300
Total assets acquired		34,185
Liabilities assumed:		
Accounts payable		134
Accrued expenses and other current liabilities		409
Deferred revenue		10,400
Capital lease obligations		317
Other long-term liabilities		55
Total liabilities assumed		11,315
Net assets acquired	$	22,870

During the fiscal year 2015, acquisition costs of $0.5 million were recorded in general and administrative expenses in the consolidated statement of operations.

Pro Forma Results —The following unaudited pro forma information presents the combined results of operations as if the acquisition of Zimbra had been completed on January 1, 2014, the beginning of the comparable prior annual reporting periods. The unaudited pro forma results include adjustments to reflect: (i) the carve-out of revenue and expenses relating to the portion of the Zimbra business not acquired; (ii) the elimination of depreciation and amortization from Zimbra's historical financial statements and the inclusion of depreciation and amortization based on the fair values of acquired property, plant and equipment and intangible assets; (iii) the fair value of deferred revenue liabilities assumed; (iv) recognition of the post-acquisition share-based compensation expense related to stock options that were granted to Zimbra employees who accepted employment with Synacor; (v) the elimination of intercompany revenue and expenses between Zimbra and Synacor; and (iv) the elimination of acquisition-related expenses.

The unaudited pro forma results do not reflect any cost saving synergies from operating efficiencies or the effect of the incremental costs incurred in integrating the two companies. Accordingly, these unaudited pro forma results are presented for informational purpose only and are not necessarily indicative of what the actual results of operations of the combined company would have been if the acquisition had occurred at the beginning of the period presented, nor are they indicative of future results of operations

Set forth below is the unaudited pro forma consolidated results of operations of the Company and Zimbra as if the Acquisition occurred as of January 1, 2014, the beginning of the earliest year presented (in thousands, except per share amounts):

	Years Ended December 31,			
		2015		2014
Revenue	$	130,077	$	134,207
Operating loss	$	(2,944)	$	(9,485)
Net loss	$	(4,608)	$	(16,017)
Net loss per share:				
Basic	$	(0.16)	$	(0.54)
Diluted	$	(0.16)	$	(0.54)

3. PROPERTY AND EQUIPMENT—NET

As of December 31, 2016 and 2015, property and equipment-net consisted of the following (in thousands):

	2016	2015
Computer equipment	$ 23,438	$ 23,324
Computer software	15,198	12,748
Furniture and fixtures	2,062	1,945
Leasehold improvements	1,463	1,532
Work in process	4,572	2,065
Other	249	252
	46,982	41,866
Less accumulated depreciation	(32,576)	(27,489)
Total property and equipment—net	$ 14,406	$ 14,377

Property and equipment includes computer equipment and software held under capital leases of approximately $5.2 million and $4.1 million as of December 31, 2016 and 2015, respectively. Accumulated depreciation of computer equipment and software held under capital leases amounted to $3.4 million and $1.8 million as of December 31, 2016 and 2015, respectively.

Depreciation expense was $7.2 million, $6.4 million, and $5.1 million for the years ended December 31, 2016, 2015, and 2014, respectively. An impairment of internally-developed software totaling $0.3 million was recorded in 2016 and charged to general and administrative expense.

4. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

As of December 31, 2016 and 2015, accrued expenses and other current liabilities consisted of the following (in thousands):

	2016	2015
Accrued compensation	$ 6,860	$ 6,112
Accrued content fees	1,788	1,964
Accrued business acquisition consideration	1,193	—
Other	1,843	1,689
Total	$ 11,684	$ 9,765

5. LONG-TERM DEBT

In September 2013, the Company entered into a Loan and Security Agreement, with Silicon Valley Bank ("SVB"), which was most recently amended in November 2016 (as amended, the "Loan Agreement"). The Loan Agreement provides for a $12.0 million secured revolving line of credit with a stated maturity of September 2018. The credit facility is available for cash borrowings, subject to a formula based upon eligible accounts receivable. As of December 31, 2016, $5.0 million was outstanding under the Loan Agreement; and subject to the operation of the borrowing formula, an additional $7.0 million was available for draw under the Loan Agreement.

Borrowings under the Loan Agreement bear interest, at the Company's election, at an annual rate based on either the "prime rate" as published in The Wall Street Journal or LIBOR for the relevant period. If the Company's liquidity coverage ratio (the ratio of cash plus eligible accounts receivable to borrowings under the Agreement) exceeds 2.75 to 1, LIBOR-based advances bear interest at LIBOR plus 3.5% and prime rate advances bear interest at the prime rate plus 1.0%. If the Company's liquidity coverage ratio falls below 2.75 to 1, LIBOR-based advances bear interest at LIBOR plus 4.0% and prime rate advances bear interest at the prime rate plus 1.5%. For LIBOR advances, interest is payable (i) on the last day of a LIBOR interest period or (ii) on the last day of each calendar quarter. For prime rate advances, interest is payable (a) on the first day of each month and (b) on each date a prime rate advance is converted into a LIBOR advance.

The Company's obligations to SVB are secured by a first priority security interest in all our assets, including our intellectual property. The Loan Agreement contains customary events of default, including non-payment of principal or interest, violations of covenants, material adverse changes, cross-default, bankruptcy and material judgments. Upon the occurrence of an event of default, SVB may accelerate repayment of any outstanding balance. The Loan Agreement also contains certain financial covenants and other agreements that are customary in loan agreements of this type, including restrictions on paying dividends and making distributions to our stockholders. As of December 31, 2016, the Company was in compliance with the covenants.

6. INCOME TAXES

Loss from continuing operations before income taxes included income from domestic operations of $(10.2) million, $(2.9) million and $(7.1) million for the years ended December 31, 2016, 2015 and 2014, and income (loss) from foreign operations of $0.7 million, $(0.3) million $0.1 million for the same years.

The provision for income taxes for the years ended December 31, 2016, 2015 and 2014, was comprised of the following (in thousands):

	2016	2015	2014
Current:			
United States Federal	$ -	$ (1)	$ 21
State	40	45	24
Foreign	1,036	195	7
Total current provision for income taxes	1,076	239	52
Deferred:			
United States Federal	95	—	4,135
State	48	—	634
Foreign	-	—	—
Net deferred provision for income taxes	143	—	4,769
Total provision for income taxes	$ 1,219	$ 239	$ 4,821

The income tax effects of significant temporary differences and carryforwards that give rise to deferred income tax assets and liabilities as of December 31, 2016 and 2015 are as follows (in thousands):

	2016	2015
Deferred income tax assets:		
Stock and other compensation expense	$ 4,576	$ 3,997
Net operating losses	5,907	3,212
Research and development credits	1,676	1,676
Other federal, state and foreign carryforwards	1,151	618
Fixed assets	246	-
Intangible assets	557	
Other	838	341
Gross deferred tax assets	14,951	9,844
Valuation allowances	(14,030)	(8,846)
	921	998
Deferred income tax liabilities:		
Fixed assets	(29)	(290)
Intangible assets and other	(392)	(81)
Gross deferred tax liabilities	(421)	(371)
Subtotal	500	627
Less unrecognized tax benefit liability related to deferred items	(627)	(627)
Net deferred tax liability (included in other long-term liabilities)	$ (127)	$ —

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	2016	2015	2014
Balance—beginning of year	$ 627	$ 627	$ 627
Additions for tax positions of prior years	—	—	—
Reductions for tax positions of prior years	—	—	—
Balance—end of year	$ 627	$ 627	$ 627

The unrecognized tax benefits at the end of 2016, 2015 and 2014 were primarily related to research and development carryforwards.

If the $0.6 million of unrecognized tax benefits as of December 31, 2016 were recognized, approx imately $0.6 million would decrease the effective tax rate in the period in which each of the benefits is recognized. The remaining amount would be offset by the reversal of related deferred income tax assets on which an unrecognized tax benefit liability is placed. The Company does not expect any material changes to its unrecognized tax benefits within the next twelve months.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2016 and 2015, penalties and interest were insignificant.

The Company files income tax returns in the U.S. federal jurisdiction as well as many U.S. states and foreign jurisdictions. The tax years 2004 to 2016 remain open to examination by the major jurisdictions in which the Company is subject to tax. Fiscal years outside the normal statute of limitation remain open to audit by tax authorities due to tax attributes generated in those early years which have been carried forward and may be audited in subsequent years when utilized. The Company is currently not under examination in any major taxing jurisdictions.

Income tax expense for the years ended December 31, 2016, 2015 and 2014 differs from the expected income tax benefit calculated using the statutory U.S. Federal income tax rate as follows (dollars in thousands):

	2016		2015		2014	
Federal income tax (benefit) expense at statutory rate	$ (3,237)	34%	$ (1,075)	34%	$ (2,390)	34%
State and local taxes—net of federal benefit	75	(1)	30	(1)	(410)	6
Foreign taxes	1,036	(11)	195	(6)	(1)	—
Valuation allowance	3,299	(34)	928	(29)	7,504	(107)
Permanent differences	3	—	144	(5)	262	(4)
Other	43	(1)	17	(1)	(144)	2
Total	$ 1,219	(13)%	$ 239	(8)%	$ 4,821	(69)%

The Company had federal and state NOL carryforwards of approximately $14.4 million and $13.9 million, respectively, at December 31, 2016. In addition, the Company has approximately $2.2 million of NOL carryforwards created by windfall tax benefits relating to stock compensation for which no deferred income tax assets have been recorded in accordance with the rules under FASB ASC 718. The NOLs will begin to expire in 2027. The Company has weighed the positive and negative evidence, including cumulative pre-tax losses, and determined that it is more likely than not that the deferred income tax assets, primarily related to the NOLs, will not be realized and, therefore, a full valuation allowance has been recorded against the net deferred income tax assets as of December 31, 2016 and 2015.

7. INFORMATION ABOUT SEGMENT AND GEOGRAPHIC AREAS

Operating segments are components of the Company in which separate financial information is available that is evaluated regularly by the Company's chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker for the Company is the Chief Executive Officer. The Chief Executive Officer reviews operating results and financial information presented on a total Company basis, accompanied by information about revenue by major service line for purposes of allocating resources and evaluating financial performance. Accordingly, the Company has determined that it has a single reporting segment and operating unit structure.

The following table sets forth revenue and long-lived tangible assets by geographic area (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Revenue:			
United States	$ 110,071	$ 105,228	$ 105,872
International	17,302	5,017	707
Total revenue	$ 127,373	$ 110,245	$ 106,579

	As of December 31,	
	2016	2015
Long-lived tangible assets:		
United States	$ 13,519	$ 12,909
Canada	573	726
International	314	742
Total long-lived tangible assets	$ 14,406	$ 14,377

8. COMMITMENTS AND CONTINGENCIES

Lease Commitments —The Company leases office space and data center space under operating lease agreements and certain equipment under capital lease agreements with interest rates ranging from 3% to 7%.

Rent expense for operating leases was approximately $3.1 million, $2.6 million and $2.5 million for 2016, 2015 and 2014, respectively.

Lease commitments over the next five years as of December 31, 2016 can be summarized as follows (in thousands):

Years Ending December 31,	Operating Lease Commitments
2017	$ 2,378
2018	1,727
2019	766
2020	492
2021 and thereafter	368
Total lease commitments	$ 5,731

Years Ending December 31,	Capital Lease Commitments
2017	$ 1,056
2018	680
2019	403
2020 and thereafter	9
Total minimum capital lease commitments	2,148
Less-amount representing interest	152
Total capital lease obligations	1,996
Less-current portion of capital lease obligations	982
Long-term portion of capital lease obligations	$ 1,014

Contract Commitments —The Company is obligated to make payments under various contracts with vendors and other business partners, principally for revenue-share arrangements. Contract commitments as of December 31, 2016 can be summarized as follows (in thousands):

Years Ending December 31,	Contract Commitments
2017	$ 1,560
Total contract commitments	$ 1,560

Litigation —From time to time, the Company is a party to legal actions. In the opinion of management, the outcome of these matters is not expected to have a material impact on the consolidated financial statements of the Company.

9. EQUITY

Stock Repurchases —In February 2014, the board of directors approved a Stock Repurchase Program, which authorizes a repurchase of up to $5.0 million worth of the Company's outstanding common stock. The Stock Repurchase Program has no expiration date, and may be suspended or discontinued at any time without notice.

The following table sets forth the shares of common stock repurchased through the program:

	Years Ended December 31,		
	2016	2015	2014
Shares of common stock repurchased	—	—	229,050
Value of common stock repurchased (in thousands)	$ —	$ —	$ 562

Withhold to Cover —During the years ended December 31, 2016, 2015 and 2014, certain employees, in lieu of paying withholding taxes on the vesting of certain shares of restricted stock awards, authorized the withholding of shares of the Company's common stock to satisfy their minimum statutory tax withholding requirements related to such vesting. These shares were recorded as treasury stock using the cost method at the per share closing price on the date of vesting. Shares and cost of the Company's common stock withheld to cover minimum statutory tax withholding requirements during the years ended December 31, 2016, 2015 and 2014 were as follows:

	Years Ended December 31,		
	2016	2015	2014
Shares withheld	92,439	99,904	4,594
Cost (in thousands)	$ 215	$ 190	$ 11

Warrants —Warrants to purchase 480,000 shares of common stock were issued as a component of the consideration transferred for the acquisition of the Zimbra assets (see Note 2). These warrants are exercisable at $3.00 per share and have a three-year life.

10. STOCK-BASED COMPENSATION

The fair value of options granted to employees is estimated on the grant date using the Black-Scholes option valuation model. This valuation model for stock-based compensation expense requires the Company to make assumptions and judgments about the variables used in the calculation, including the fair value of the Company's common stock, the expected term (the period of time that the options granted are expected to be outstanding), the volatility of the Company's common stock, a risk-free interest rate and expected dividends. The Company also estimates forfeitures of unvested stock options. To the extent actual forfeitures differ from the estimates, the difference will be recorded as a cumulative adjustment in the period estimates are revised. No compensation cost is recorded for options that do not vest. The Company uses the simplified calculation of expected life described in the SEC's Staff Accounting Bulletin No. 107, *Share-Based Payment* , and volatility is based on the blended average historic price volatility for Synacor Inc. and its industry peers based on daily price observations over a period equivalent to the expected term of the stock option grants. Industry peers consist of several public companies in the technology industry, some larger and some similar in size, at a similar stage of life cycle and having similar financial leverage. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option. The Company uses an expected dividend yield of zero, as it does not anticipate paying any dividends in the foreseeable future. Expected forfeitures are based on the Company's historical experience.

The following table presents the weighted-average assumptions used to estimate the fair value of options granted (excluding replacement options in conjunction with modifications described below) during the periods presented:

	Years Ended December 31,		
	2016	2015	2014
Volatility	49%	52%	58%
Expected dividend yield	—%	—%	—%
Risk-free rate	1.4%	1.7%	1.9%
Expected term (in years)	6.25	6.25	6.25

The Company recorded $2.8 million, $3.1 million, and $3.6 million of stock-based compensation expense for the years ended December 31, 2016, 2015, and 2014, respectively. No income tax deduction is allowed for incentive stock options (“ISOs”). Accordingly, no deferred income tax asset is recorded for the potenti al tax deduction related to these options. Expense related to stock option grants of non-qualified stock options (“NSOs”) results in a temporary difference, which gives rise to a deferred tax asset.

Total stock-based compensation expense included in the accompanying consolidated statements of operations for the years ended December 31, 2016, 2015 and 2014, is as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Technology and development	$ 921	$ 936	$ 1,621
Sales and marketing	784	942	599
General and administrative	1,066	1,237	1,375
Total stock-based compensation expense	$ 2,771	$ 3,115	$ 3,595

Equity Incentive Plans —The Company has four stock option plans (the 2000 Stock Plan, the 2006 Stock Plan, the 2012 Equity Incentive Plan and the Special Purpose Recruitment Plan), which, as of December 31, 2016, authorize the Company to grant up to 10,094,180 stock options (ISOs and NSOs), stock appreciation rights, restricted stock, RSUs and performance cash awards. The ISOs and NSOs will be granted at a price per share not less than the fair value of the Company’s common stock at the date of grant. Options granted to date generally vest over a four-year period with 25 % vesting at the end of one year and the remaining 75% vesting monthly thereafter. Options granted generally are exercisable up to 10 years. RSUs generally vest over a three year period with one-sixth vesting at the end of each six month period.

Special Purpose Recruitment Plan —During 2013, our shareholders approved the Special Purpose Recruitment Plan from which equity compensation awards are granted to newly-hired employees. One million shares of common stock were reserved for issuance and have all been granted under this plan.

Stock Option Activity —A summary of stock option activity for the year ended December 31, 2016 is as follows:

	Number of Stock Options	Weighted Average Exercise Price	Aggregate Intrinsic Value (in thousands)	Weighted Average Remaining Contractual Term (in years)
Outstanding—January 1, 2016	8,695,918	$ 2.57		
Granted	1,695,500	$ 2.30		
Exercised	(751,481)	$ 2.08		
Forfeited	(883,763)	$ 2.81		
Outstanding—December 31, 2016	8,756,174	$ 2.53	$ 6,825	6.83
Expected to vest—December 31, 2016	8,405,565	$ 2.55	$ 6,510	6.75
Vested and exercisable—December 31, 2016	4,825,433	$ 2.82	$ 3,183	5.42

Aggregate intrinsic value represents the difference between the closing stock price of the Company’s common stock and the exercise price of outstanding, in-the-money options. The Company’s closing stock price as reported on the Nasdaq as of December 31, 2016 was $3.10. The total intrinsic value of options exercised was approximately $0.7 million, less than $0.1 million, and $0.5 million for the years ended December 31, 2016, 2015 and 2014, respectively. The weighted-average grant date fair value of options granted was $1.13 per share, $0.95 per share, and $1.31 per share for the years ended December 31, 2016, 2015 and 2014, respectively.

As of December 31, 2016, total unrecognized compensation cost, adjusted for estimated forfeitures, related to nonvested stock options was approximately $4.2 million, which is expected to be recognized over a weighted-average period of 2.51 years.

RSU Activity —A summary of RSU activity for the year ended December 31, 2016 is as follows:

	Number of Stock Options	Weighted Average Fair Value
Unvested—January 1, 2016	437,595	$ 2.31
Granted	139,500	$ 3.63
Released	(238,827)	$ 2.52
Forfeited	(18,379)	$ 2.69
Unvested—December 31, 2016	319,889	$ 2.71
Unvested expected to vest —December 31, 2016	312,951	$ 2.77

As of December 31, 2016, total unrecognized compensation cost, adjusted for estimated forfeitures, related to RSUs was approximately $0.9 million, which is expected to be recognized over the next 1.61 years.

11. NET LOSS PER COMMON SHARE DATA

Basic net loss per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net loss per share is computed using the weighted-average number of common shares and, if dilutive, potential common shares outstanding during the period. The Company's potential common shares consist of the incremental common shares issuable upon the exercise of stock options, warrants, and to a lesser extent, shares issuable upon the release of RSUs. The dilutive effect of these potential common shares is reflected in diluted earnings per share by application of the treasury stock method.

The following table presents the calculation of basic and diluted net loss per share for the years ended December 31, 2016, 2015 and 2014 (in thousands, except share and per share amounts):

	Year Ended December 31,		
	2016	2015	2014
Basic net loss per share:			
Numerator:			
Net loss	$ (10,740)	$ (3,474)	$ (12,931)
Denominator:			
Weighted-average common shares outstanding	30,251,685	28,213,838	27,389,793
Basic net loss per share	$ (0.36)	$ (0.12)	$ (0.47)
Diluted net loss per share:			
Numerator:			
Net loss	$ (10,740)	$ (3,474)	$ (12,931)
Denominator:			
Number of shares used in the basic computation	30,251,685	28,213,838	27,389,793
Add weighted-average effect of dilutive securities:			
Stock options, RSUs and warrants	—	—	—
Number of shares used in diluted calculation	30,251,685	28,213,838	27,389,793
Dilutive net loss per share	$ (0.36)	$ (0.12)	$ (0.47)

Stock options, warrants and RSUs are not included in the calculation of diluted net loss per share for the years ended December 31, 2016, 2015 and 2014 because the Company had a net loss for those years. The inclusion of these equity awards would have had an antidilutive effect on the calculation of diluted loss per share.

The following equivalent shares were excluded from the calculation of diluted net loss per share because their effect would have been antidilutive for the periods presented:

	Year Ended December 31,		
	2016	2015	2014
Antidilutive Equity Awards:			
Stock options and RSUs	9,076,063	9,133,513	7,589,578
Warrants	480,000	480,000	—

12. EMPLOYEE BENEFIT PLAN

The Company sponsors a 401(k) profit sharing plan that covers substantially all employees. Under the plan, eligible employees are permitted to contribute a portion of gross compensation not to exceed standard limitations provided by the Internal Revenue Service. The Company maintains the right to match employee contributions; however, no matching contributions were made during the years ended December 31, 2016, 2015 or 2014.

******

Exhibit 2.1

ASSET PURCHASE AGREEMENT

by and among

TECHNORATI, INC.,

SYNACOR, INC.

and

SHAREHOLDER REPRESENTATIVE SERVICES LLC

Dated as of February 19, 2016

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this " Agreement ") is made as of this 19th day of February, 2016 by and among TECHNORATI, INC., a Delaware corporation (" Seller "), SYNACOR, INC., a Delaware corporation (" Buyer "), and Shareholder Representative Services LLC, a Colorado limited liability company, solely in its capacity as the representative of the Seller and the Seller's securityholders (the " Seller Representative "). Seller, Seller Representative and Buyer may sometimes herein be referred to collectively as the " Parties " and individually as a " Party ." All capitalized terms that are used but not otherwise defined in this Agreement will have the respective meanings ascribed to them in Annex A .

R E C I T A L S

A. Seller is, among other things, engaged in the business of designing, developing, selling, licensing, marketing, distributing, maintaining and supporting the Products (the " Business ");

B. The Business is composed of certain assets that are currently owned by or licensed to Seller and certain liabilities in respect of which Seller is currently obligated; and

C. The Boards of Directors of Buyer and Seller and the stockholders of Seller have approved, and deem it advisable and in the best interests of their respective stockholders, for (i) Seller to sell, transfer, and assign to Buyer, and for Buyer to purchase from Seller, the Purchased Assets (as hereinafter defined), (ii) Seller to assign, and Buyer to assume, the Assumed Liabilities (as hereinafter defined), and (iii) Seller and Buyer to enter into the Collateral Agreements, in each case as more fully described and upon the terms and subject to the conditions set forth herein (such transactions contemplated by this Agreement and/or the Collateral Agreements being referred to herein collectively as the " Transactions ").

NOW, THEREFORE, in consideration of the mutual agreements and covenants herein contained and intending to be legally bound hereby, the Parties hereto hereby agree as follows:

1. PURCHASE AND SALE OF THE BUSINESS

1.1 Purchase and Sale of Assets . Upon the terms of this Agreement, at the Closing, Seller shall sell, transfer, assign, convey, and deliver to Buyer, and Buyer shall purchase, acquire, and accept from Seller, all right, title and interest of Seller in, to, and under the Purchased Assets, free and clear of all Encumbrances other than Permitted Encumbrances. For purposes of this Agreement, the term " Purchased Assets " means all of the Seller's right, title, and interest in, to and under the assets, properties, and rights used or held for use in the Business, including without limitation the assets described in paragraphs (a) through (j) below, but excluding the Excluded Assets:

(a) the Purchased Intellectual Property;

(b) the Products;

(c) the Purchased Technology;

(d) the Purchased Contracts;

(e) the Purchased Equipment;

(f) all Receivables of the Seller related to the Purchased Contracts (the " Purchased Receivables ");

(g) the Business Records; provided , however , that Seller will be entitled to retain a copy of the Business Records;

(h) all Governmental Permits that are assignable and which are required for the operation of the Business as currently conducted;

(i) any attorney-client privilege and attorney work-product protection (including all documents subject to such attorney-client privilege and attorney work-product protection) exclusively related to and resulting from the Purchased Assets that are not related to the Transactions; and

(j) the goodwill of the Business.

1.2 Excluded Assets . Notwithstanding anything in Section 1.1 to the contrary, Seller and Buyer expressly acknowledge and agree that the Purchased Assets will not include, and Seller is not selling, transferring, assigning, conveying or delivering to Buyer, and Buyer shall not purchase, acquire or accept from Seller, any of the following rights, properties or assets (the rights, properties and assets expressly excluded by this Section 1.2 being referred to herein as the " Excluded Assets "):

(a) any cash, cash equivalents, bank deposits, investment accounts, lockboxes, certificates of deposit, marketable securities, bank accounts, corporate credit cards, corporate calling cards or similar items, of the Seller;

(b) the Excluded Contracts;

(c) any rights in any real property other than leasehold interests under any leases included in the Purchased Contracts;

(d) the Excluded Equipment;

(e) the Excluded Intellectual Property;

(f) any Excluded Records;

(g) any Governmental Permits other than Governmental Permits that are assignable and which are required for the operation of the Business as currently conducted;

(h) any claim, right or interest of Seller in or to any refund, rebate, abatement or other recovery for Taxes, but only to the extent that such amount arises from or accrues in any Pre-Closing Tax Period;

(i) any insurance policies, binders and claims and rights thereunder and the proceeds thereof, including any proceeds from any claims thereunder;

(j) all of the assets of the Seller Benefit Plans;

(k) any rights, rights of recovery, claims, defenses or causes of action of Seller against Third Parties relating to the assets, properties, business or operations of Seller related to, arising from, or incurred in connection with conditions or events occurring prior to the Closing, except for rights of recovery, claims, defenses or causes of action of Seller to the extent related to the Purchased Assets;

(l) except as set forth in Section 1.1(i) , (i) any attorney-client privilege and attorney work-product protection of Seller or associated with the Business as a result of legal counsel representing Seller or the Business, including in connection with the Transactions; (ii) all documents maintained by legal counsel as a result of representation of the Seller or the Business; (iii) all documents subject to the attorney-client privilege and work-product protection described in subsection (i); and (iv) all documents maintained by the Seller in connection with the Transactions; and

(m) any securities or equity interests in any Person.

1.3 Purchase Price .

(a) In consideration of the sale, transfer, assignment, conveyance and delivery by Seller of the Purchased Assets to Buyer and the rights granted to Buyer under the Collateral Agreements, Buyer shall (i) pay to Seller at the Closing, an amount in cash equal to two million five hundred thousand dollars ($2,500,000) (the " Closing Cash Consideration ") by wire transfer of immediately available funds to an account designated by Seller's written instructions provided to Buyer at least two Business Days prior to Closing; (ii) pay to Seller in accordance with Section 1.3(b) below an amount in cash equal to five hundred thousand ($500,000) (the " Holdback Cash Consideration " and together with the Closing Cash Consideration, the " Purchase Price "); and (iii) assume the Assumed Liabilities.

(b) On the Holdback Release Date, Buyer shall promptly pay the Holdback Cash Consideration to Seller, subject to and contingent upon any reduction resulting from payments made or to be made pursuant to claims for indemnification made by a Buyer Indemnified Party prior to the Holdback Release Date in satisfaction of Seller's indemnification obligations and pursuant to the terms and conditions set forth in Article 7 .

1.4 Assumed Liabilities . Upon the terms of this Agreement, at the Closing, Buyer shall accept, assume and agree to pay, perform or otherwise discharge, in accordance with the respective terms and subject to the respective conditions thereof, the Assumed Liabilities. For purposes of this Agreement, the term " Assumed Liabilities " means only the Liabilities set forth or described in this Section 1.4, whether or not any such Liabilities have a value for accounting purposes or are carried or reflected in or specifically referred to in Seller's financial statements:

(a) any and all Liabilities arising under or pursuant to the Purchased Contracts after the Closing (other than any Liability resulting from a breach of any Purchased Contract by Seller prior to the Closing);

(b) any and all Liabilities arising from designing, developing, offering for sale, selling, licensing, marketing, supplying, importing, making, using, distributing, maintaining, supporting, performing, displaying, reproducing or creating derivatives of the Products after the Closing;

(c) any and all Permitted Encumbrances;

(d) any and all Liabilities with respect to the Business or the Purchased Assets arising from the conduct of the Business or the ownership of the Purchased Assets by Buyer;

(e) any and all Liabilities relating to equipment leases, capital leases, and deferred purchase obligations with respect to the Purchased Equipment arising on or after the Closing Date;

(f) the Assumed Revenue Share Payables; and

(g) the Assumed PTO Expenses.

1.5 Excluded Liabilities . For the avoidance of doubt, and notwithstanding anything in Section 1.4 to the contrary, Seller and Buyer hereby expressly acknowledge and agree that the Assumed Liabilities will not include, and Seller shall not assign to Buyer pursuant to this Agreement, and Buyer shall not accept or assume or be obligated to pay, perform or otherwise assume or discharge any Liabilities of Seller, whether direct or indirect, known or unknown, absolute, contingent or otherwise, pursuant to or under the Excluded Liabilities. For purposes of this Agreement, the term " Excluded Liabilities " means any and all Liabilities of Seller that do not constitute Assumed Liabilities, including any and all Liabilities set forth or described in the following paragraphs, in each case whether or not any such Liability has a value for accounting purposes or is carried or reflected on, or specifically referred to in, Seller's financial statements:

(a) any and all Liabilities to the extent arising from, or incurred in connection with, the Excluded Assets;

(b) any and all Liabilities of Seller for Excluded Taxes;

(c) any and all Liabilities of Seller for Transaction Expenses;

(d) the Excluded Revenue Share Payables; and

(e) any and all Liabilities of Seller relating to, arising from, or incurred in connection with (i) any Seller Benefit Plan; and (ii) any compensation-related or other Liabilities relating to the employment or service of any Employee with Seller prior to Closing or the termination of service or employment of any Employee by Seller prior to or following Closing.

1.6 Non-Assignable Assets .

(a) Nothing in this Agreement nor the consummation of the Transactions contemplated hereby will be construed as an attempt or agreement to sell, transfer, assign, convey or deliver any asset, property or right to Buyer (provided , that this Section 1.6(a) will not affect whether any asset, property or right will, once any required consent or waiver is obtained, be deemed to be a Purchased Asset for any other purpose under this Agreement) or for Buyer and its successors and assigns to assume any Assumed Liability which by its terms or by Law is not transferable or assignable, as applicable, without the consent or waiver of a third party or is terminable or cancelable by a third party in the event of such a transfer or assignment without the consent or waiver of such third party, in each case unless and until such consent or waiver has been obtained (collectively, the " Non-Assignable Assets ").

(b) Seller shall use its commercially reasonable efforts to obtain the Seller Consents (as defined below). To the extent permitted by applicable Law, in the event any such consent or waiver cannot be obtained prior to Closing, (i) the Non-Assignable Assets subject thereto and affected thereby shall be held, as of and from the Closing, by Seller in trust for the benefit of Buyer, and all benefits and obligations existing thereunder will be for Buyer's account, (ii) Buyer shall pay, perform or otherwise discharge (in accordance with the respective terms and subject to the respective conditions thereof, and in the name of Seller) all of the covenants and obligations of Seller incurred after the Closing with respect to such Non-Assignable Assets, (iii) Seller shall take or cause to be taken, subject to the second sentence of this Section 1.6(b) , such actions in its name or otherwise as Buyer may reasonably request so as to provide Buyer with the benefits of such Non-Assignable Assets and to effect the collection of money or other consideration that becomes due and payable under such Non-Assignable Assets, and to pay over to Buyer all money or other consideration received by it in respect of such Non-Assignable Assets in accordance with Section 4.8 , and (iv) Buyer and Seller shall mutually cooperate to provide any other alternative arrangements as may be reasonably required to implement the purposes of this Agreement and the Collateral Agreements. If and when such consent or waiver is obtained, Seller shall sell, transfer, assign, convey and deliver such Non-Assignable Asset to Buyer for no additional consideration.

(c) As of and from the Closing Date, Seller authorizes Buyer, to the extent permitted by applicable Law and the terms of the Non-Assignable Assets, at Buyer's expense, to perform all the obligations and receive all the benefits of Seller under the Non-Assignable Assets.

1.7 Further Assurances; Further Conveyances and Assumptions . From time to time following the Closing, Seller and Buyer shall execute, acknowledge and deliver all such further conveyances, notices, assumptions, releases and acquittances and such other instruments, and shall take such further actions, as may be necessary or appropriate to fully and effectively transfer, assign and convey unto Buyer and its successors or assigns, as applicable, all of the properties, rights, titles, interests, estates, remedies, powers and privileges intended to be transferred, assigned or conveyed to Buyer under this Agreement and the Collateral Agreements and for Buyer and its successors and assigns to fully and effectively assume the Assumed Liabilities under this Agreement, and to otherwise make effective the Transactions and to confirm Buyer's title to or interest in the Purchased Assets, to put Buyer in actual possession and operating control thereof and to assist Buyer in exercising all rights with respect thereto, including (i) transferring back to Seller any asset or liability not contemplated by this Agreement to be a Purchased Asset or an Assumed Liability, respectively, which asset or liability was transferred to Buyer at the Closing, and (ii) transferring to Buyer any asset or liability contemplated by this Agreement to be a Purchased Asset or an Assumed Liability, respectively, which was not transferred to Buyer at the Closing.

1.8 Bulk Sales Law . Buyer hereby waives compliance by Seller with the requirements and provisions of any "bulk sales," "bulk transfer" or any similar Laws of any jurisdiction that may otherwise be applicable with respect to the sale of any or all of the Purchased Assets to Buyer.

1.9 Withholding Rights . Buyer shall be entitled to deduct and withhold from the consideration otherwise deliverable under this Agreement, and from any other payments otherwise required pursuant to this Agreement such amounts as Buyer is required to deduct and withhold with respect to any such deliveries and payments under any provision of state, local, provincial or foreign Tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement as having been delivered and paid to Seller in respect of which such deduction and withholding was made.

1.10 Reconciliation of Receivables and Assumed Revenue Share Payables . Following the Closing, Buyer shall use its reasonable best efforts to collect the Purchased Receivables. Promptly following the end of the third full calendar month following the Closing Date and each calendar month thereafter until all Purchased Receivables have been collected, settled or written off, Buyer shall deliver to Seller a statement describing in reasonable detail (a) the cumulative amount of Purchased Receivables collected by Buyer up to that time (the " Collected Receivables ") and (b) the amount, if any, by which the Collected Receivables exceeds the amount of Assumed Revenue Share Payables (such excess, the " Excess Collected Receivables "). Promptly following the delivery of each such statement, Buyer (i) will retain for itself 50% of the amount of Excess Collected Receivables until the aggregate amount so retained equals (x) $150,000 minus (y) one-half of the amount of Excluded Revenue Share Payables minus (z) the amount of cash paid by Seller to Business Employees (other than Vincent Ye) in lieu of accrued paid time off as a result of a termination of their employment in connection with the Transactions and (ii) will pay to Seller, via wire transfer of funds to an account designated in writing by Seller, the remainder of the Excess Collected Receivables. The payment to Seller pursuant to the foregoing sentence, if any, will be deemed to be an addition to the Purchase Price.

2. REPRESENTATIONS AND WARRANTIES OF SELLER

Subject to the exceptions set forth in the Seller Disclosure Schedule delivered by Seller to Buyer concurrently with the execution of this Agreement (which disclosures will delineate the section or subsection to which they apply but will also qualify such other sections or subsections in this Article 2 to the extent that it is reasonably apparent (without a specific cross-reference) on its face from a reading of the disclosure items that such disclosure is applicable to such other section or subsection), Seller represents and warrants to Buyer that:

2.1 Organization and Qualification; No Subsidiaries.

(a) Seller is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware and has all requisite corporate power and authority to carry on the Business as currently conducted and to own or lease and operate the Purchased Assets owned or leased by it. Seller is duly qualified to do business and is in good standing as a foreign corporation (in any jurisdiction that recognizes such concept) in each jurisdiction where the ownership or operation of the Purchased Assets or the operation or conduct of the Business requires such qualification, except where the failure to be so qualified or in good standing individually or in the aggregate has not had and would not reasonably be expected to have a Material Adverse Effect.

(b) Seller does not own, of record or beneficially, or control any direct or indirect equity or other interest, or any right (contingent or otherwise) to acquire the same, in any corporation, partnership, limited liability company, joint venture, association or other entity. Seller is not a member of (nor is any part of Seller's business conducted through) any partnership, nor is Seller a participant in any joint venture or similar arrangement.

2.2 Authorization. Seller has full corporate power and authority to execute and deliver this Agreement and the Collateral Agreements to which it will be a party and to consummate the Transactions. The execution, delivery and performance by Seller of this Agreement and the Collateral Agreements to which it will be a party and the consummation by Seller of the Transactions have been duly authorized (i) in accordance with all necessary corporate approval requirements of Seller, (ii) by the holders of a majority of the outstanding shares of Seller's Preferred Stock (voting together as a single class and not as separate series, and on an as-converted basis) and (iii) by the holders of a majority of the outstanding shares of Seller's Preferred Stock and Seller's Common Stock (voting together as a single class and not as separate series, and on an as-converted basis), in each case where required by applicable Law, and no other corporate action on the part of Seller is necessary to authorize the execution and delivery by Seller of this Agreement or any Collateral Agreement to which it will be a party or the consummation of the Transactions by Seller.

2.3 Binding Effect. This Agreement has been duly executed and delivered by Seller and this Agreement is, and the Collateral Agreements will be when executed and delivered by Seller, enforceable against Seller in accordance with their respective terms, except to the extent that enforcement of the rights and remedies created hereby and thereby may be affected by bankruptcy, reorganization, moratorium, insolvency and similar Laws of general application affecting the rights and remedies of creditors and by general equity principles.

2.4 Non-Contravention; Consents .

(a) Assuming that all Seller Consents (as defined below) have been obtained, the execution, delivery and performance of this Agreement and the Collateral Agreements by Seller and the consummation of the Transactions by Seller do not and will not: (i) result in a breach or violation of any provision of Seller's certificate of incorporation or by-laws or other similar organizational documents, (ii) violate or result in a breach of or constitute an occurrence of default under any provision of, result in the acceleration or cancellation of any material obligation under, or give rise to a right by any party to terminate or amend its obligations under, any material mortgage, agreement, license, deed of trust, note, loan, indenture, lien, lease, instrument, order, or judgment to which Seller is a party or by which it is bound and which relates to the Business or the Purchased Assets, or (iii) violate in any material respect any Law of any Governmental Authority having jurisdiction over Seller or the Purchased Assets.

(b) No consent, approval, order or authorization of, or registration, declaration or filing with, any Person is required to be obtained by Seller in connection with the execution and delivery of this Agreement or by Seller in connection with the execution and delivery of the Collateral Agreements or for the sale of the Purchased Assets and the consummation of the Transactions by Seller, except for the consents or approvals of Third Parties that are required to transfer or assign to Buyer any Purchased Assets or assign the benefits of or delegate performance with regard thereto, for Seller to perform its obligations under this Agreement or for Seller to perform its obligations under the Collateral Agreements, all of which are identified in Section 2.4(b) of the Seller Disclosure Schedule (the " Seller Consents ").

2.5 Title; Sufficiency .

(a) Seller has good, valid, and marketable ownership of and title to, or a valid leasehold interest in, the Purchased Equipment, free and clear of all Encumbrances except Permitted Encumbrances, and upon consummation of the Transactions, Buyer will acquire good, valid, and marketable title to, or a valid leasehold interest in, such Purchased Equipment, free and clear of all Encumbrances except Permitted Encumbrances and Encumbrances arising out of any actions of Buyer.

(b) Except for the Excluded Assets and the items set forth on Section 2.5(b) of the Seller Disclosure Schedule and assuming that all Seller Consents have been obtained prior to Closing, the Purchased Assets (i) constitute all of the assets, properties and rights, in each case either owned by or licensed or leased to Seller, whether tangible or intangible, real or personal, that are used in or held for use in the operation of the Business and (ii) are sufficient to enable Buyer, immediately following the Closing, to continue to conduct the Business in substantially the same manner as currently conducted by the Seller and to prosecute all rights under the Purchased Contracts to the same extent such rights inhered in Seller.

2.6 Governmental Permits . Section 2.6 of the Seller Disclosure Schedule sets forth, as of the date hereof, a complete and accurate list of all material Governmental Permits (i) pursuant to which Seller currently leases, operates or holds any interest in any Purchased Assets, or (ii) which are required for the operation of the Business as currently conducted. Seller owns, holds or possesses in its own name, all material Governmental Permits that are required by currently effective Laws and necessary to own or lease, operate and use the Purchased Assets and to operate the Business as currently conducted, all of which are in full force and effect, except for such Governmental Permits the absence of which individually or in the aggregate has not had and would not reasonably be expected to have a Material Adverse Effect. Seller is not in material violation of or in material default under any such Governmental Permits. As of the date of this Agreement, no proceeding is pending or, to Seller's Knowledge, threatened to revoke or limit any such Governmental Permit.

2.7 Real Property; Leases .

(a) None of the real property used or occupied by Seller (" Seller Real Property ") is owned by Seller. All of Seller Real Property is leased or subleased by Seller.

(b) Section 2.7(b) of Seller Disclosure Schedule sets forth all leases, subleases and other agreements pursuant to which Seller derives its rights in Seller Real Property (the " Leases "), including, with respect to each such Lease, the identity of the landlord or sublandlord, the addresses, the date of such Lease and each amendment thereto. If any of the Leases is a sublease, then, any applicable master/prime lease and its parties shall also be described, and similar details set forth, on Section 2.7(b) of Seller Disclosure Schedule, and, to Seller's Knowledge, all of the representations in this Section 2.7 regarding the status of such Lease are also hereby made as to such master/prime lease.

(c) The Leases are valid, binding and enforceable in accordance with their respective terms, subject to any applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereinafter in effect relating to creditors' rights generally or to general principles of equity, and to Seller's Knowledge, there does not exist under any such Lease or under any agreement constituting a Permitted Lien on Seller Real Property any material default by Seller or, to Seller's Knowledge, by any other Person, or any event that, with or without notice or lapse of time or both, would constitute a material default by Seller or by any other Person. Except as set forth on Section 2.7(b) of Seller Disclosure Schedule no consents, waivers or approvals relating to Seller Real Property are required in connection with the Transactions, whether under the Leases or under any Permitted Liens.

2.8 Compliance With Laws; Litigation .

(a) Except as set forth in Section 2.8(a) of the Seller Disclosure Schedule, Seller has operated the Business at all times in compliance in all material respects with all applicable Laws (including any applicable environmental, labor, export control or foreign corrupt practices Law) to which Seller is or was subject. Seller has not received any written notice or, to Seller's Knowledge, other communication from any Governmental Authority or any other Person regarding any actual, alleged, possible or potential violation of, or failure to comply with, any applicable Law. Neither Seller nor, to Seller's Knowledge, any of its directors, officers or employees or any agents or any other Person acting on behalf of any such Person have, with respect to the Business, (a) used any funds for unlawful contributions, gifts, entertainment or other unlawful payments relating to any political activity or (b) made any unlawful payment to any government official or employee or any political party or campaign or violated any provision of the U.S. Foreign Corrupt Practices Act of 1977 or the OECD Convention on Combating Bribery of Foreign Public Officials in Business Transactions.

(b) As of the date hereof, except as set forth on Section 2.8(b) of the Seller Disclosure Schedule, (i) no Order is in effect, (ii) there is no Action or governmental investigation pending or, to Seller's Knowledge, threatened against Seller; and (iii) there is no Action by Seller pending, or that Seller intends to initiate, against any other Person, in each case that (A) relates to the Business or the Purchased Assets or (B) seeks to restrain or enjoin the consummation of the Transactions.

2.9 Business Employees .

(a) Section 2.9(a) of the Seller Disclosure Schedule contains a true, correct and complete list, as of the date specified on such list, of all Business Employees, showing for each Business Employee, the name or employee ID number, position held, status as exempt/non-exempt, whether full- or part-time, service commencement date and base salary or base wage rate and target annual cash bonus opportunity as of the date specified on such list. Section 2.9(a) of the Seller Disclosure Schedule also contains a true, correct and complete list of all non-U.S. citizens or permanent residents currently employed by Seller in the U.S. as Business Employees along with their visa status, visa expiration date and a summary of the status of any formal Seller efforts to extend the current visa status or convert the visa status of such individuals to some other visa status, in order to extend their availability to the Business as Business Employees. None of the Business Employees is represented by a union nor is the Seller party to any collective bargaining agreements or other agreements with any labor organization that apply or are reasonably likely to apply to the Business or the Business Employees.

(b) Except as set forth in Section 2.9(b) of the Seller Disclosure Schedule or as required by applicable Laws, in the U.S., (i) the employment of each Business Employee is terminable by the Seller at will, and (ii) no Business Employee is entitled to receive severance pay or other post-termination severance benefits from Seller or wages or payments for accrued but unused vacation time, sick time, or paid time off under any Seller Benefit Plan following the termination of such Business Employee's employment with Seller. To Seller's Knowledge, no Business Employee is in violation of any term of any employment agreement, non-competition agreement or any restrictive covenant to a former employer relating to the right of any such Business Employee to be employed by the Seller because of the nature of the Business or to the use of trade secrets or proprietary information of others in the Business.

(c) Section 2.9(c) of the Seller Disclosure Schedule identifies, as of the date hereof, each Seller Benefit Plan. With respect to each Seller Benefit Plan, Seller has made available to Buyer true, correct and complete copies of the most recent summary plan description or other written description thereof. Each Seller Benefit Plan is operated in compliance in all material respects with its terms and with all applicable Laws, including ERISA. Each Seller Benefit Plan which is a Pension Plan and which is intended to be qualified under Section 401(a) of the Code has received a current favorable determination letter from the Internal Revenue Service, a copy of which has been made available to Buyer, and, to Seller's Knowledge, no circumstances have occurred that would reasonably be expected to result in revocation of such favorable determination letter or adversely affect the qualification of such Pension Plan. None of

Seller or any of its Affiliates has any Liability with respect to a plan that is subject to Title IV of ERISA that could reasonably become a Liability of Buyer. Except as set forth on Section 2.9(c) of the Seller Disclosure Schedule, there are no participant loans of any Business Employee outstanding under Seller's tax-qualified employee savings plan(s) maintained in the U.S. (the " Seller 401(k) Plan "). Neither the Seller nor any ERISA Affiliate is a party to, or has made any contribution to or otherwise incurred any obligation under, any "multiemployer plan" as such term is defined in Section 3(37) of ERISA or any "multiemployer plan" as such term is defined in Section 413(c) of the Code.

(d) With respect to the Business Employees, there is not pending or existing, and to Seller's Knowledge there is not threatened, (i) any strike, slowdown, picketing, organized work stoppage, or other material labor dispute; (ii) any application for certification of a collective bargaining agent; or (iii) any union organizing attempts.

(e) Except as set forth in Section 2.9(e) of the Seller Disclosure Schedule, Seller has not implemented any plant closings or employee layoffs that would give rise to any Liability, either in respect of the Business or the Business Employees, or at any worksite where the Business Employees are located, under the Worker Adjustment and Retraining Notification Act of 1998, as amended, or any similar Law (collectively, the " WARN Act "). The Seller has not caused any of its Employees to suffer an "employment loss" (as defined in the WARN Act) during the 90-day period immediately preceding the date hereof.

(f) Except as set forth in Section 2.9(f) of the Seller Disclosure Schedule, the execution and delivery of this Agreement and the Collateral Agreements by Seller, the performance by Seller of its obligations hereunder and thereunder and the consummation by Seller of the Transactions will not (either alone or upon the occurrence of any additional or subsequent events) constitute an event under any Seller Benefit Plan that will or may result in any compensatory payment, acceleration, forgiveness of indebtedness, vesting, distribution, increase in benefits or obligation to fund benefits with respect to any Business Employee.

(g) Seller is and has been in compliance in all material respects with all applicable Laws pertaining to employment and employment practices to the extent they relate to Business Employees, including all Laws relating to labor relations, equal employment opportunities, fair employment practices, employment discrimination, harassment, retaliation, reasonable accommodation, disability rights or benefits, immigration, wages, hours, overtime compensation, child labor, hiring, promotion and termination of employees, working conditions, meal and break periods, privacy, health and safety, workers' compensation, leaves of absence and unemployment insurance. All individuals characterized and treated by Seller as consultants or independent contractors of the Business are properly treated as independent contractors under all applicable Laws. All Business Employees classified as exempt under the Fair Labor Standards Act and state and local wage and hour laws are properly classified. Except as set forth in Section 2.9(g) of the Seller Disclosure Schedule, there are no Actions against Seller pending, or to the Seller's Knowledge, threatened to be brought or filed, by or with any Governmental Authority or arbitrator in connection with the employment of any current or former applicant, employee, consultant, volunteer, intern or independent contractor of the Business, including, without limitation, any claim relating to unfair labor practices, employment discrimination, harassment, retaliation, equal pay, wages and hours or any other employment related matter arising under applicable Laws.

2.10 Contracts .

(a) Section 2.10(a) of the Seller Disclosure Schedule contains a true, correct and complete list, as of the date hereof, of the following Contracts to which Seller is a party, that are currently in force and that are used exclusively in the Business:

(i) each Contract that involves performance of services or delivery of goods or materials by Seller of an amount or value in excess of $50,000 in the aggregate over the last three (3) years;

(ii) each Contract that involves performance of services or delivery of goods or materials to Seller of an amount or value in excess of $50,000 in the aggregate over the last three (3) years;

(iii) each Contract that is a lease of real or personal property;

(iv) each Contract containing any covenant limiting the freedom of Seller to engage in the Business or to compete with any person in the Business;

(v) each Contract that involves performance of services or delivery of goods or materials by or to Seller which includes a most favored customer pricing covenants or exclusivity, or involving provisions restricting or affecting the development, manufacture or distribution of the Products;

(vi) each Contract that expressly grants any right, title or interest to Seller under any Intellectual Property of a Third Party, except for standard end-user, object code, internal-use licenses to software that is generally commercially available;

(vii) each Contract that involves performance of services or delivery of goods or materials by or to Seller which includes a Source Code escrow agreement;

(viii) each Contract that is a distribution, joint marketing, partnership, joint venture or development agreement or similar Contract with respect to Products or services;

(ix) any settlement agreement under which Seller has ongoing obligations related to the Business;

(x) any Contract (other than Contracts with customers) involving indemnification by Seller with respect to infringements of proprietary rights; or

(xi) any other Contract not made in the ordinary course of business that is material to the Business.

(b) Each Purchased Contract is valid, binding and enforceable against Seller, and to Seller’s Knowledge, the other parties thereto in accordance with its terms, subject to any applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereinafter in effect relating to creditors' rights generally or to general principles of equity, and is in full force and effect. Except as identified in Section 2.10(b) of the Seller Disclosure Schedule, Seller is not, and has not received any written notice that it is, in default under or in breach of or is otherwise delinquent in performance under any Purchased Contract, and, to Seller's Knowledge, each of the other parties thereto has performed all obligations required to be performed by it under, and is not in default under, any Purchased Contract and no event has occurred that, with notice or lapse of time, or both, would constitute such a default, except for breaches, failures of performance or defaults that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect.

2.11 Intellectual Property .

(a) Section 2.11(a) of the Seller Disclosure Schedule sets forth, with the application number, application date, registration/issue number, registration/issue date, title or mark, country or other jurisdiction, status thereof (including any and all actions that are due or must be taken, or payments and/or filings that are due or must be made within 90 days of the Closing Date to obtain, maintain, perfect or renew such Intellectual Property) and owner(s), as applicable, a complete and correct list of all the following Purchased Intellectual Property active as of the date of this Agreement: (i) registered Trademarks, pending Trademark applications, and unregistered trademarks; (ii) registered Copyrights and pending Copyright applications; (iii) Domain Names; and (iv) issued Patents or pending Patent applications. All of the Purchased Intellectual Property is valid, subsisting, in full force and effect, and has not expired or been cancelled or abandoned. All necessary documents and certificates in connection with the Purchased Intellectual Property have been filed with, and all relevant fees have been paid to, the relevant patent, copyright, trademark or other authorities in the United States or foreign jurisdictions, as the case may be, for the purposes of perfecting, prosecuting and maintaining the Purchased Intellectual Property, and any and all renewal and maintenance fees, annuities or other fees payable to any Governmental Authority to maintain such Purchased Intellectual Property as active and due before Closing and within 90 days thereafter have been paid in full through Closing. After the Closing, Seller shall not register, attempt to register, obtain, or use any domain name, trademark, service mark or trade name that is included in the Purchased Assets or is confusingly similar thereto anywhere in the world.

(b) Seller has not granted any license, covenant not to sue or title (in whole or in part) or any rights to any of the Purchased Intellectual Property other than pursuant to a Contract listed in Section 2.10(a) of the Seller Disclosure Schedule or standard end-user, object code, internal-use software licenses granted by the Seller in the ordinary course of business.

(c) The Purchased Intellectual Property is not the subject of any judgment, order, writ, injunction or decree of any Governmental Authority, and to Seller's Knowledge, no such thing is threatened against Seller involving the Purchased Intellectual Property, except for office actions by the applicable Governmental Authorities in the normal course of prosecution efforts to register or issue the Purchased Intellectual Property listed in Section 2.11(a) of the Seller Disclosure Schedule.

(d) The Purchased Intellectual Property is sufficient for the conduct of the business with respect to the Products as currently conducted. Seller has not transferred ownership of, or agreed to transfer ownership of, any Intellectual Property that is included in the Purchased Intellectual Property to any third party. Except as set forth on Section 2.11(d) of the

Seller Disclosure Schedule, none of the Purchased Intellectual Property or research, design, development, manufacture, marketing, use, sale, offer for sale, supply, use, modification, hosting, distribution, license, support or import of the Products, as of the Closing Date, infringes, dilutes, misappropriates, or otherwise violates the Intellectual Property right of any other Person prior to the Closing Date, and Seller is not aware of any potential basis for such infringement, misappropriation, dilution or violation prior to the Closing Date. Except as set forth on Section 2.11(d) of the Seller Disclosure Schedule, there is no Action pending against Seller that alleges that the Products or Purchased Intellectual Property infringe, dilute, misappropriate, violate, or constitute the unauthorized use of the Intellectual Property of any Person. Except as set forth on Section 2.11(d) of the Seller Disclosure Schedule, Seller has not received any written offers to license Intellectual Property relating to the Products or written notice that an Action will be brought against Seller relating to the Products. Except as set forth on Section 2.11(d) of the Seller Disclosure Schedule, to Seller's Knowledge, none of the Purchased Intellectual Property has been or is currently being infringed, misappropriated or otherwise violated by any Person in any material respect, and Seller is not aware of any potential basis for such infringement, misappropriation or violation.

(e) Any Employee who has made a material contribution to any Purchased Intellectual Property has signed a Proprietary Information and Inventions Agreement or consulting agreement containing proprietary information, confidentiality and assignment provisions that provide for (i) the non-disclosure by such Person of any of Seller's Confidential Information of the Business and (ii) the assignment (with no exclusions) by such Person to Seller of all Intellectual Property rights arising out of such Person's employment or engagement by, or contract with, Seller. Without limiting any other provision of this Agreement, no Employee of Seller owns or has any right to the Purchased Intellectual Property, nor has any Employee made any assertions with respect to any alleged ownership or rights thereto.

(f) Seller has taken reasonable steps to prosecute, protect, maintain and preserve its respective rights in Confidential Information and Intellectual Property that constitutes the Purchased Intellectual Property. Except as set forth on Section 2.11(f) of the Seller Disclosure Schedule, to Seller's Knowledge, none of the Confidential Information that constitutes a material portion of the Purchased Intellectual Property, as of the Closing Date, has been disclosed to any Person without Seller's express knowledge and authorization prior to the Closing Date.

(g) Except as set forth in Section 2.11(g) of the Seller Disclosure Schedule, Seller has good, marketable, and valid title to and ownership of the Purchased Intellectual Property and the Purchased Technology, free and clear of all Encumbrances except Permitted Encumbrances.

(h) Seller has complied with all applicable Laws, regulations and self-regulatory principles and its respective internal privacy policies relating to the use, collection, storage, disclosure and transfer of any personally identifiable information, including personal data, or non-public customer information collected by Seller or by third parties having authorized access to the records of Seller with respect to the Products. The execution, delivery and performance of this Agreement by Seller, will comply in all respects with all applicable Laws, regulations and self-regulatory principles. Seller has not received a written complaint regarding Seller's collection, use or disclosure of personally identifiable information, including personal data, or non-public customer information in respect of the Products.

2.12 Taxes .

(a) All material U.S. federal, state, local, and non-U.S. Tax Returns of Seller have been timely filed, and such Tax Returns are true and correct in all material respects and have been completed in accordance with applicable Law in all material respects.

(b) (i) All material Taxes required to be paid by or on behalf of Seller have been timely paid, and (ii) all material U.S. federal and state and non-U.S. income taxes, material Federal Insurance Contribution Act amounts, material Federal Unemployment Tax Act amounts and other material Taxes required to be paid or withheld by Seller with respect to employees and other third parties of Seller have been timely paid or withheld (and withheld amounts have been timely paid over to the appropriate Taxing Authority). There are no Encumbrances for Taxes upon the Purchased Assets, except for Permitted Encumbrances.

(c) There is no material Tax deficiency outstanding, assessed in writing or proposed in writing against or with respect to Seller.

(d) No written agreement, written waiver or other written arrangement extending or having the effect of extending the period for assessment or collection of Taxes (including, but not limited to, any applicable statute of limitation) or the period for filing any Tax Return has been executed or filed with any Taxing Authority by or on behalf of Seller.

(e) Seller has not been notified in writing of any request for an audit, examination or proceeding with respect to any material Tax Return of Seller, nor is any such audit, examination or proceeding presently in progress. No adjustment relating to any material Tax Return filed by Seller has been proposed in writing by any Taxing Authority. As of the date hereof, there is outstanding no written claim that the Seller is or may be subject to taxation in a jurisdiction in which it does not file Tax Returns.

(f) There is no agreement, plan, arrangement or other Contract covering any current or former Business Employee or to which the Seller is a party or by which the Seller is bound that, considered individually or considered collectively with any other such agreements, plans, arrangements or other Contracts, will, or would reasonably be expected to, as a result of the transactions contemplated hereby (whether alone or upon the occurrence of any additional or subsequent events) be characterized as a “parachute payment” within the meaning of Section 280G of the Code (or any corresponding or similar provision of state, local or foreign Tax law). No security of the Seller is readily tradable on an established securities market or otherwise (within the meaning of Section 280G of the Code and the regulations promulgated thereunder) such that the Seller is ineligible to seek shareholder approval in a manner that complies with Section 280G(b)(5) of the Code. The Seller has not ever had any obligation to report, withhold or gross up any excise Taxes under Section 280G or Section 4999 of the Code. Section 2.12(f) of the Seller Disclosure Schedule lists each Person who the Seller reasonably believes is, with respect to the Seller, a “disqualified individual” (within the meaning of Section 280G of the Code and the regulations promulgated thereunder), as determined as of the date hereof.

(g) Section 2.12(g) of the Seller Disclosure Schedule contains a list of each Seller Benefit Plan in which a Business Employee participates that is a “non-qualified deferred compensation plan" within the meaning of Section 409A(d)(1) of the Code. Each such Seller Benefit Plan has been operated in compliance with Section 409A of the Code and the regulations issued thereunder. The Seller has not ever had any obligation to report, withhold or gross up any Taxes with respect to any Business Employee under Section 409A of the Code.

2.13 Affiliated Transactions . Section 2.13 of the Seller Disclosure Schedule sets forth a true, complete and correct list of all Contracts between Seller, on the one hand, and Seller's Affiliates, on the other hand, that are included in the Purchased Contracts. All such Contracts were entered into on an arm's-length basis and have terms no less favorable to the Business than those available to non-Affiliates of Seller.

2.14 Financial Statements . Seller has delivered to Buyer: (a) an unaudited balance sheet of Seller as at December 31, 2015 (including the notes thereto, the " Balance Sheet "), and the related unaudited statements of income, changes in shareholders' equity and cash flows for the fiscal year then ended, including in each case the notes thereto; (b) an audited balance sheet of Seller as at December 31, 2013, and the related audited statements of income, changes in shareholders' equity and cash flows for the fiscal year then ended, including in each case the notes thereto together with the report thereon of Moss Adams LLC, independent certified public accountants; and (c) an unaudited balance sheet of Seller as at December 31, 2014 and the related unaudited statements of income, changes in shareholders' equity, and cash flows for the fiscal year then ended, including in each case the notes thereto, certified by Seller's chief executive officer. Such financial statements fairly present in all material respects the financial condition and the results of operations, changes in shareholders' equity and cash flows of Seller as at the respective dates of and for the periods referred to in such financial statements, all in accordance with GAAP. The financial statements referred to in this Section 2.14 reflect the consistent application of such accounting principles throughout the periods involved, except as disclosed in the notes to such financial statements. The financial statements have been prepared from and are in accordance with the accounting records of Seller. Seller has also delivered to Buyer copies of all letters from Seller's auditors to Seller's board of directors or the audit committee thereof during the twenty-four (24) months preceding the execution of this Agreement, together with copies of all responses thereto. Except as set forth in Section 2.14 of the Seller Disclosure Schedule, Seller has no Liability except for Liabilities reflected or reserved against in the Balance Sheet and current liabilities incurred in the ordinary course of business of Seller since the date of the Balance Sheet.

2.15 No Material Adverse Effect . Since the date of the Balance Sheet, there has not been any Material Adverse Effect.

2.16 Accounts Receivable . All Receivables included in the Purchased Assets represent or will represent valid obligations arising from sales actually made or services actually performed by Seller in the ordinary course of business. There is no contest, claim, defense or right of setoff, other than returns in the ordinary course of business of Seller, under any Purchased Contract with any account debtor of a Receivable relating to the amount or validity of such Receivable. Section 2.16 of the Seller Disclosure Schedule contains a complete and accurate list of all Receivables for the Purchased Contracts as of the date of the Balance Sheet, which list sets forth the aging of each such Receivable.

2.17 Brokers. Except as set forth on Section 2.17 of the Seller Disclosure Schedule, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the Transactions based on arrangements made by or on behalf of Seller.

2.18 No Other Representations or Warranties. Except for the representations and warranties contained in this Article 2, none of Seller, any Affiliate of Seller or any other Person makes any representations or warranties, and Seller hereby disclaims any other representations or warranties, whether made by Seller or an Affiliate of Seller, or any of their respective Representatives, with respect to the execution and delivery of this Agreement or any Collateral Agreement, any of the Transactions or the Business, notwithstanding the delivery or disclosure to Buyer or its Representatives of any documentation or other information with respect to one or more of the foregoing.

3. REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller that:

3.1 Organization and Qualification. Buyer is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware, and has all requisite corporate power and authority to carry on its business as currently conducted and to own or lease and operate its properties. Buyer is duly qualified to do business and is in good standing as a foreign corporation (in any jurisdiction that recognizes such concept) in each jurisdiction where the ownership or operation of their assets or the operation or conduct of its business requires such qualification, except where the failure to be so qualified or in good standing, individually or in the aggregate, has not had and would not reasonably be expected to have a Buyer Material Adverse Effect.

3.2 Authorization. Buyer has all requisite corporate power and authority to execute and deliver this Agreement and the Collateral Agreements to which it is a party and to effect the Transactions and the execution, delivery and performance of this Agreement and the Collateral Agreements have been duly authorized by all requisite corporate action.

3.3 Binding Effect. This Agreement has been duly executed and delivered by Buyer, and this Agreement is, and the Collateral Agreements when duly executed and delivered by Buyer will be, valid and legally binding obligations of Buyer, enforceable against it in accordance with their respective terms, except to the extent that enforcement of the rights and remedies created hereby and thereby may be affected by bankruptcy, reorganization, moratorium, insolvency and similar Laws of general application affecting the rights and remedies of creditors and by general equity principles.

3.4 Consents and Filings. Except as listed on Schedule 3.4, no consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any Person (including any federal, state or local governmental authority) is required on the part of the Buyer in connection with the execution and delivery of this Agreement and the Collateral Agreements or the consummation of the Transactions.

3.5 No Violations. The execution, delivery and performance of this Agreement and the Collateral Agreements by the Buyer, and the consummation of the Transactions do not and will not: (i) result in a breach or violation of any provision of the Buyer certificate of incorporation or by-laws, (ii) violate or result in a breach of or constitute an occurrence of default under any provision of, result in the acceleration or cancellation of any obligation under, or give rise to a right by any party to terminate or amend its obligations under, any mortgage, deed of trust, conveyance to secure debt, note, loan, indenture, lien, lease, agreement, instrument, order, judgment, decree or other arrangement or commitment to which Buyer is a party or by which it or its assets or properties are bound, or (iii) violate any Law of any Governmental Authority having jurisdiction over Buyer or any of its properties, other than in the case of clauses (ii) and (iii), any such violations, breaches, defaults, accelerations or cancellations of obligations or rights that, individually or in the aggregate, have not had and would not reasonably be expected to have a Buyer Material Adverse Effect.

3.6 Litigation. There is no claim, action, suit, proceeding, arbitration, complaint, charge or, to the Buyer's knowledge, investigation pending or to the Buyer's knowledge, currently threatened that questions the validity of the Collateral Agreements or the right of the Buyer to enter into them, or to consummate the Transactions.

3.7 No Other Representations or Warranties. Except for the representations and warranties contained in this Article 3, none of Buyer, any Affiliate of Buyer or any other Person makes any representations or warranties, and Buyer hereby disclaims any other representations or warranties, whether made by Buyer or an Affiliate of Buyer, or any of their respective Representatives, with respect to the execution and delivery of this Agreement or any Collateral Agreement, or any of the Transactions, notwithstanding the delivery or disclosure to Seller or its Representatives of any documentation or other information with respect to one or more of the foregoing.

4. CERTAIN COVENANTS

4.1 Access and Investigation Prior to Closing. Between the date of this Agreement and the Closing Date, and upon reasonable advance notice received from Buyer, Seller shall (a) afford Buyer and its Representatives full and free access, during regular business hours, to Seller's personnel, properties, Contracts, Governmental Permits, Business Records and other documents and data, such rights of access to be exercised in a manner that does not unreasonably interfere with the operations of Seller; (b) furnish Buyer and its Representatives with copies of all such Contracts, Governmental Permits, Business Records and other existing documents and data as Buyer may reasonably request; (c) furnish Buyer and its Representatives with such additional financial, operating and other relevant data and information as Buyer may reasonably request; and (d) otherwise cooperate and assist, to the extent reasonably requested by Buyer, with Buyer's investigation of the properties, assets and financial condition related to Seller, in each case, subject to any limitations that are reasonably required to preserve any applicable attorney-client privilege or Third Party confidentiality obligation in which case Seller and Buyer, as the case may be, will use commercially reasonable efforts to develop an alternative means to provide any such information that is subject to such limitations.

4.2 Operation of the Business Prior to Closing.

(a) To the extent permitted by applicable Law, between the date of this Agreement and the Closing, Seller shall (i) conduct the Business only in the ordinary course of business; (ii) use its commercially reasonable efforts to preserve intact its current business organization, keep available the services of its officers, employees and agents as relates to the Business and maintain its relations and good will with suppliers, customers, landlords, creditors, employees, agents and others having business relationships with it as relates to the Business; (iii) continue to collect its accounts receivable in the ordinary course of business and shall not take any action to accelerate, settle, discount, factor, or sell any such accounts receivable; (iv) continue to invoice its customers in the ordinary course of business and shall not take any action to accelerate, settle, discount, factor, or sell the right to invoice or otherwise collect payment from such customers; (v) confer with Buyer prior to implementing operational decisions of a material nature; and (vi) at the request of Buyer, report periodically to Buyer concerning the status of the Business and its operations and finances.

(b) Except as otherwise expressly permitted herein or in any Collateral Agreement, between the date of this Agreement and the Closing Date, Seller shall not, without the prior written consent of Buyer, (i) take any affirmative action, or fail to take any reasonable action within its control, as a result of which any of the representations and warranties in Article 2 would become untrue or inaccurate; (ii) make any modification to any Contract or Governmental Permit included in the Purchased Assets; or (iii) enter into any compromise or settlement of any litigation, proceeding or governmental investigation relating to the Purchased Assets, the Business or the Assumed Liabilities.

4.3 Exclusivity. Until such time as this Agreement shall be terminated pursuant to Section 8.1, Seller shall not directly or indirectly solicit, initiate, encourage or seek any inquiries or proposals from, discuss or negotiate with, provide any nonpublic information to or participate in any discussions or negotiations with any Person (other than Buyer) relating to, any business combination transaction involving Seller, including the sale by Seller's stockholders of Seller's stock, the merger or consolidation of Seller or the sale of the Business or any of the Purchased Assets (other than in the ordinary course of business). Seller shall notify Buyer of any such inquiry or proposal within 24 hours of receipt of the same by Seller; provided, however, that except for the fact that an inquiry or proposal has been made, Seller may omit from any such notice to Buyer information that Seller is legally prohibited from disclosing to Buyer pursuant to a nondisclosure or confidentiality agreement entered into prior to the date of that certain Letter of Intent between Seller and Buyer, or December 7, 2015.

4.4 Access and Information. After the Closing, Seller and Buyer shall provide to each other and to their respective Representatives, upon request (subject to any limitations that are reasonably required to preserve any applicable attorney-client privilege or Third Party confidentiality obligation in which case Seller and Buyer, as the case may be, will use commercially reasonable efforts to develop an alternative means to provide any such information that is subject to such limitations), reasonable access for inspection and copying of all Business Records, Governmental Permits, Contracts and any other information (other than personnel and medical records) existing as of the Closing Date and relating to the Business, the Purchased Assets or the Assumed Liabilities, and shall make their respective personnel reasonably available for interviews, depositions and testimony in any legal matter concerning Transactions, the operations or activities relating to the Business, the Purchased Assets or the Assumed Liabilities, and as otherwise may be necessary or desirable to enable the Party requesting such assistance to: (i) comply with any reporting, filing or other requirements imposed by any Governmental Authority; (ii) assert or defend any claims or allegations in any litigation or arbitration or in any administrative or legal proceeding other than claims or allegations that one Party to this Agreement has asserted against the other; or (iii) subject to clause (ii) above, perform its obligations under this Agreement or any Collateral Agreement. The Party requesting such information or assistance shall reimburse the other Party for all reasonable and necessary out-of-pocket costs and expenses incurred by such Party in providing such information and in rendering such assistance. The access to files, books and records contemplated by this Section 4.4 will be during normal business hours and upon reasonable prior notice and will be subject to such reasonable limitations as the Party having custody or control thereof may impose to preserve the confidentiality of information contained therein.

4.5 Tax Reporting; Allocation of Consideration; Recording and Filing Fees .

(a) Subject to Section 4.5(d) below, Seller shall be responsible for the preparation and filing of all Tax Returns of Seller (including Tax Returns required to be filed after the Closing Date) to the extent such Tax Returns include (i) the use or ownership of the Purchased Assets by Seller, or (ii) during any Pre-Closing Tax Period, the conduct of the Business (“ Seller’s Returns ”). Seller’s Returns will be true, complete and correct and prepared in accordance with applicable Law, each in all material respects. Seller will be responsible for and shall pay when due any and all Taxes attributable to or levied or imposed upon the Purchased Assets or related to the conduct of the Business for any Pre-Closing Tax Period, whether or not such payment is required to be paid after the Closing Date.

(b) Buyer shall prepare and deliver, within sixty (60) days following the Closing, to Seller Representative a statement (the “ Purchase Price Allocation ”) allocating the consideration paid and deemed paid for the Purchased Assets, as determined by Buyer consistent with applicable tax reporting principles, among the assets sold by Seller, in such amounts reasonably determined by Buyer to be consistent with Section 1060 of the Code. Within sixty (60) days following the Closing, Buyer shall deliver the Purchase Price Allocation to Seller Representative for Seller Representative’s review and comment, and shall consider in good faith any comments provided by the Seller Representative within 30 days of Seller Representative’s receipt of the Purchase Price Allocation. After consideration of any comments provided by Seller Representative, Buyer shall amend the Purchase Price Allocation from time to time as necessary to reflect adjustments to the consideration paid or deemed paid for the Purchased Assets. For all Tax purposes, Buyer and Seller agree to report the transactions contemplated in this Agreement in a manner consistent with the Purchase Price Allocation, and, unless otherwise required by Law, will not take any position inconsistent therewith in any Tax Return, in any refund claim, in any litigation, audit or otherwise. Within a reasonable period before the due date of such statements, Seller and Buyer shall cooperate in preparing IRS Form 8594 or any equivalent statements required by any Governmental Authority charged with collection of any Tax, which shall be prepared in accordance with the Purchase Price Allocation.

(c) To the extent relevant to the Purchased Assets, each Party shall (i) provide the other with such assistance as may reasonably be required in connection with the preparation of any Tax Return and the conduct of any audit or other examination by any Taxing Authority or in connection with judicial or administrative proceedings relating to any liability for Taxes, and (ii) retain and provide the other with all records or other information that may be relevant to the preparation of any Returns, or the conduct of any audit or examination, or other proceeding relating to Taxes. Seller shall retain all documents, including prior years' Tax Returns, supporting work schedules and other records or information with respect to all sales, use and employment Returns and shall not destroy or otherwise dispose of any such records for six years after Closing without the prior written consent of Buyer.

(d) Seller shall prepare and furnish to Business Employees Forms W-2 which will reflect all wages and compensation paid to Business Employees for that portion of the calendar year in which the Closing Date occurs during which the Business Employees were employed by Seller. Each of Seller and Buyer agree to treat Buyer as a successor employer with respect to the Business Employees for FICA and FUTA tax purposes.

(e) Seller shall be solely responsible for any and all applicable sales, use, transfer, recording or similar Taxes arising out of or in connection with the Transactions effected pursuant to this Agreement, including the sales, transfers, leases, rentals, licenses and assignments contemplated hereby (collectively, " Transfer Taxes "). The Parties shall use commercially reasonable efforts to minimize Transfer Taxes, if any, arising out of or relating to the Transactions contemplated by this Agreement, including, to the extent practicable, the delivery of the Purchased Assets, including all software and software documentation through electronic transmission or in another manner reasonably calculated and legally permitted to minimize or avoid the incurrence of Transfer Taxes if such method of delivery does not adversely affect the condition, operability or usefulness of any Purchased Asset.

(f) Seller is and shall remain solely responsible for all Taxes and Tax matters arising from or relating to the Purchased Assets and the Business through the Closing Date. In the case of any Straddle Period, the amount of any Taxes based on or measured by income or receipts of Seller for the portion of the Straddle Period up to and through the Closing Date shall be determined based on an interim closing of the books as of the close of business on the Closing Date. The amount of other Taxes of Seller for the portion of the Straddle Period up to and through the Closing Date shall be deemed to be the amount of such Tax for the entire Taxable period multiplied by a fraction the numerator of which is the number of days in the Taxable period ending on the Closing Date and the denominator of which is the number of days in such Straddle Period. The parties shall cooperate with each other concerning all Tax matters, including the filing of all material Tax Returns and other governmental filings associated therewith.

4.6 Business Employees .

(a) Prior to the Closing Date, Buyer will make offers of employment or provide welcome letters, contingent upon the Closing, to the Business Employees that Buyer, in its sole discretion, desires to hire or retain. Effective as of the day after the Closing Date, Buyer shall hire and employ each Business Employee who accepts the offer of employment or welcome letter extended to such Business Employee pursuant to this Section 4.6 . To the extent required under applicable Laws or Contract, Seller shall (i) give all notices, effect all consultations and provide such other information required to be given to, and (ii) seek such approvals or consents from, any Employees, collective bargaining unit, works council or other representative body representing any group of Employees in accordance with applicable Laws in connection with the transactions contemplated by this Agreement.

(b) Except as required by applicable Law or the terms of the applicable Seller Benefit Plan, from and after the Closing Date, the Business Employees shall cease to participate in and/or accrue further rights or benefits under any Seller Benefit Plans.

(c) Seller and Buyer intend that the Transactions will not constitute a severance of employment of any Business Employee prior to the Closing Date, and that such employees will have continuous and uninterrupted employment immediately before and immediately after the Closing Date. The Parties agree to cooperate in good faith to determine whether any notification may be required under the WARN Act as a result of the Transactions.

(d) If applicable, Seller shall submit to Seller's stockholders for approval (in a manner reasonably satisfactory to Buyer), by such number of holders of Seller stock as is required by the terms of Section 280G(b)(5)(B) of the Code, any payments and/or benefits that may separately or in the aggregate, constitute "parachute payments" pursuant to Section 280G of the Code (" Section 280G Payments ") (which determination shall be made by the Seller and shall be subject to review and approval by Buyer), such that such payments and benefits shall not be deemed to be Section 280G Payments, and prior to the Closing, the Seller shall deliver to Buyer notification and documentation reasonably satisfactory to Buyer that (i) a vote of the holders of Seller was solicited in conformance with Section 280G of the Code and the regulations promulgated thereunder and the requisite stockholder approval was obtained with respect to any Section 280G Payments (the " 280G Stockholder Approval ") or (ii) that the 280G Stockholder Approval was not obtained and as a consequence, that such payments and/or benefits shall not be made or provided to the extent they would cause any amounts to constitute Section 280G Payments, pursuant to the Parachute Payment Waivers that were executed by the affected individuals prior to the solicitation of the vote of the holders of Seller stock pursuant to this Section 4.6(d) .

(e) Nothing contained in this Section 4.6 , whether express or implied, will be construed to (i) confer upon any Person any rights to employment or continued employment or any term or condition of employment for any period with Seller or Buyer, (ii) establish, amend or modify Seller Benefit Plan, (iii) limit the ability of Seller, Buyer or any of their respective Affiliates to amend, modify or terminate any benefit or compensation plan, program, agreement, contract or arrangement at any time assumed, sponsored, maintained or contributed to by any of them, or (iv) confer upon any Person who is not a Party, including any Business Employee, any rights or remedies of any nature whatsoever (including any third-party beneficiary rights under this Agreement) under or by reason of this Section 4.6 .

4.7 Commercially Reasonable Efforts . Without limiting each Party's other obligations hereunder, upon the terms and subject to the conditions set forth in this Agreement, each of the Parties agrees to use its commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other Parties hereto in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable and lawful, the Transactions, including using commercially reasonable efforts to accomplish the following: (i) the obtaining of all necessary actions or nonactions, waivers, consents and approvals from Governmental Authorities and the making of all necessary registrations and filings (including filings with Governmental Authorities, if any) and the taking of all steps as may be necessary to obtain an approval or waiver from, or to avoid an action or proceeding by any Governmental Authority, (ii) the obtaining of all necessary consents, approvals or waivers from Third Parties, and (iii) the defending of any lawsuits or other legal proceedings, whether judicial or administrative, challenging this Agreement, any Collateral Agreement or the consummation of the Transactions, including seeking to have any stay or temporary restraining order entered by any court or other Governmental Authority vacated or reversed.

4.8 Business Relationships; Payments .

(a) After the Closing, Seller shall as promptly as practicable in accordance with Seller's ordinary course collections and accounts receivables processes (but in no event less than a monthly basis), (i) deliver to Buyer any checks or other forms of payment that are payable to Buyer that Seller receives and shall hold such checks or other forms of payment in trust for Buyer until such delivery and (ii) deliver, and if necessary endorse over to Buyer, any mail, checks or other forms of payment Seller receives that relate to the Purchased Assets or the Business to which Buyer is entitled pursuant to this Agreement and shall hold such mail, checks or other forms of payment in trust for Buyer until such delivery; provided , however , with respect to customer payments that are paid to Seller for Products that were not paid pursuant to invoices from Seller, Seller shall refund to such customers such amounts and shall notify Buyer of such refund as soon as practicable.

(b) Promptly following (i) the return to Buyer of the deposit made by Seller pursuant to the WeWork Agreement or the AppNexus Agreement or (ii) the Holdback Release Date, whichever first occurs, Buyer will turn over the full deposit amount made by Seller pursuant to the WeWork Agreement or the AppNexus Agreement, respectively, to Seller; provided that on or before the Closing Date, Seller delivers to Buyer a letter from the counterparty to such agreement stating that Seller would be entitled to receive the full deposit amount if the deposit were to be released to Seller as of the date of such letter. Buyer and Seller agree that such deposits are not included in the Purchased Assets.

4.9 Non-Competition .

(a) For all purposes of and under this Agreement, the following capitalized terms shall have the following respective meanings:

(i) " Competing Business " means the selling, licensing, marketing, distributing, maintaining and supporting of a Seller Platform on a stand-alone basis (whether licensed software or as a SaaS offering).

(ii) " Competing Territory " means the United States of America and the rest of the world.

(iii) " Seller Platform " means software and technology that comprise a publisher advertising platform that serves as an advertising solution for the websites in its network.

(b) Seller acknowledges and agrees that Buyer would be irreparably damaged if Seller were to provide services to or otherwise participate in a Competing Business and that any such competition by Seller would result in a significant loss of goodwill by Buyer. Seller further acknowledges and agrees that the covenants and agreements set forth in this Section 4.9 were a material inducement to Buyer to enter into this Agreement and to perform its obligations hereunder, and that Buyer would not obtain the full benefit of the bargain set forth in this Agreement as specifically negotiated by the Parties hereto if Seller breached the provisions of this Section 4.9 . Therefore, Seller agrees, in further consideration of the amounts to be paid hereunder for the Purchased Assets and the goodwill of Seller sold by Seller that, except with the prior written consent of Buyer, at all times until the date that is 36 months following the Closing Date, Seller will not conduct, manage, operate, own, or control the management of a Competing Business in the Competing Territory. Seller acknowledges that the Business has been conducted or is presently proposed to be conducted throughout the Competing Territory and that the time and geographic restrictions set forth above are reasonable and necessary to protect the goodwill of the Business being sold by Seller pursuant to this Agreement. Buyer acknowledges and agrees that nothing in this Section 4.9 shall limit or prohibit any of Seller's stockholders, employees, directors or other agents from conducting, managing, operating, owning, or controlling the management of a Competing Business, so long as such activities are not conducted through, or on behalf of, Seller.

4.10 Change of Name . On or before the Closing Date, Seller shall amend its organizational documents and take all other actions necessary to change its name to one sufficiently dissimilar to Seller's present name, in Buyer's judgment, to avoid confusion.

4.11 Payments Under Amended Management Retention Plan. Upon receipt of the Holdback Cash Consideration as set forth in Section 1.3(b), Seller agrees to promptly pay or cause to be paid the benefits due to the Business Employees in accordance with the terms of Seller's Amended Management Retention Plan.

5. CONFIDENTIAL NATURE OF INFORMATION

5.1 Confidentiality Agreement . Each of Buyer and Seller agrees that the Confidentiality Agreement will continue to apply to (a) all documents, materials and other information that it has obtained regarding the other Party or its Affiliates during the course of the negotiations leading to the consummation of the Transactions (whether obtained before or after the date of this Agreement), any investigations made in connection therewith and the preparation of this Agreement and related documents, and (b) all analyses, reports, compilations, evaluations and other materials prepared by either Party or its counsel, accountants or financial advisors that contain or otherwise reflect or are based upon, in whole or in part, any of the provided information; provided , however , that the Confidentiality Agreement will terminate as of the

Closing and will be of no further force and effect thereafter with respect to Confidential Information as is assigned to Buyer as part of the Purchased Assets.

5.2 Buyer's Confidential Information .

(a) Except as provided in Section 5.3(b) and except as necessary to perform its obligations under this Agreement or the Collateral Agreements, or to enforce its rights hereunder or thereunder or to defend against allegations of breach hereof or thereof, after the Closing Date and for a period of five years thereafter, Seller agrees that it will keep confidential all of Buyer's Confidential Information that is assigned to Buyer as part of the Purchased Assets.

(b) Notwithstanding the foregoing, such Confidential Information will not be deemed confidential and Seller shall have no obligation with respect to any such Confidential Information that:

(i) is or becomes publicly known through publication, inspection of a product, or otherwise, and through no negligence or other wrongful act of Seller; or

(ii) is received by Seller from a Third Party without similar restriction and without breach of any agreement;

(iii) is, subject to Section 5.2(c) , required to be disclosed under applicable Law or judicial process; or

(iv) is needed to enforce the terms and provisions of this Agreement or any Collateral Agreement.

(c) If Seller is requested or required (by oral question, interrogatory, request for information or documents, subpoena, civil investigative demand or similar process) to disclose any such Confidential Information, Seller will promptly notify Buyer of such request or requirement and will cooperate with Buyer, at Buyer's sole cost and expense, such that Buyer may seek an appropriate protective order or other appropriate remedy. If, in the absence of a protective order or the receipt of a waiver hereunder, Seller is in the reasonable opinion of Seller compelled to disclose the Confidential Information, Seller may disclose only so much of the Confidential Information to the Party compelling disclosure as is required by Law. At Buyer's sole cost and expense and if requested by Buyer, Seller will exercise its commercially reasonable efforts to obtain a protective order or other reliable assurance that confidential treatment will be accorded to such Confidential Information.

5.3 Public Statements; Confidential Nature of this Agreement and Collateral Agreements .

(a) Prior to the signing of this Agreement, Seller and Buyer shall prepare a mutually agreeable release announcing the transaction contemplated hereby. Except for such press release, neither Seller nor Buyer shall, without the approval of the other, make any press release or other public announcement concerning the subject matter of this Agreement or any of the other Collateral Agreements, or the terms and conditions hereof or thereof, including, if applicable, any disputes or arbitration proceedings hereunder or thereunder, except as and to the extent that any such Party shall be so obligated by Law, in which case the other Party will be advised and the Parties shall use their commercially reasonable efforts to cause a mutually agreeable release or announcement to be issued; provided, however, that the foregoing will not apply to communications or disclosures necessary to comply with accounting rules, stock exchange or market rules or federal securities or labor relations Law disclosure obligations.

(b) Except to the extent that disclosure thereof is required under accounting rules, stock exchange or market rules, or federal securities or labor relations Laws disclosure obligations, each Party agrees that the terms and conditions of this Agreement and the Collateral Agreements, and all schedules, attachments and amendments hereto and thereto will be considered Confidential Information protected under this Article 5. Notwithstanding anything in this Article 5 to the contrary, (i) in the event that any such Confidential Information is also subject to a limitation on disclosure or use contained in another written agreement between Buyer and Seller or either of their respective Affiliates that is more restrictive than the limitation contained in this Article 5, then the limitation in such agreement will supersede this Article 5, and (ii) the restrictions on confidentiality set forth in any Collateral Agreement will supersede this Article 5 for the information subject thereto. Notwithstanding the foregoing, either Party may disclose these agreements to its advisors and consultants, to its lenders and in connection with any merger, sale or similar transaction provided that any such Party agrees to the same confidentiality obligations applicable to the providing Party.

6. CLOSING AND CONDITIONS TO CLOSING

6.1 Closing. The Closing will take place at the offices of Buyer's counsel commencing at 10:00 a.m. (local time) on the date that is two Business Days following the date on which all conditions to closing set forth in this Article 6 have been satisfied or duly waived (other than conditions that by their own terms are to be satisfied at Closing) or on such other date as to which Buyer and Seller may mutually agree (such date and time being referred to herein as the "Closing Date").

6.2 Conditions to Obligations of Buyer. The obligations of Buyer to effect the Closing are subject to the fulfillment or satisfaction, on and as of the Closing, of each of the following conditions (any one or more of which may be waived by Buyer):

(a) Accuracy of Representations and Warranties. Each of Seller's representations and warranties in this Agreement that contains an express materiality qualification shall have been accurate in all respects as of the date of this Agreement and shall be accurate in all respects as of the time of the Closing as if then made. Each of Seller's other representations and warranties in this Agreement shall have been accurate in all material respects as of the date of this Agreement and shall be accurate in all material respects as of the time of the Closing as if then made.

(b) Covenants. Seller will have performed and complied in all material respects with all of its covenants and obligations contained in this Agreement on or before the Closing (to the extent that such covenants and obligations require performance by Seller on or before the Closing).

(c) No Material Adverse Effect . Since the date hereof, there shall not have occurred any Material Adverse Effect.

(d) Compliance with Law; No Legal Restraints . There will not be issued, enacted or adopted, or threatened by any Governmental Authority, any order, decree, temporary, preliminary or permanent injunction, legislative enactment, statute, regulation, or action, or any judgment or ruling by any Governmental Authority that prohibits or renders illegal or imposes material limitations on the Transactions or Buyer's right to own, retain, use or operate any of the Purchased Assets on or after the Closing or seeking a disposition or divestiture of any of the Purchased Assets.

(e) No Proceedings . Since the date of this Agreement, there shall not have been commenced or threatened against Buyer, or against any Affiliate of Buyer, any Action (i) involving any challenge to, or seeking damages or other relief in connection with, any of the Transactions or (ii) that may have the effect of preventing, delaying, making illegal, imposing limitations or conditions on or otherwise interfering with any of the Transactions.

(f) Employee Matters . Each Key Employee and at least 75% of all other Business Employees shall have signed an employment offer letter with Buyer, and as of the Closing Date, such employment offer letter shall continue to be in full force and effect and no action shall have been taken by such Key Employee or other Business Employees to rescind such employment offer letter.

(g) Payoff Letters; Release of Liens . Seller shall have delivered to Buyer payoff letters from all lenders to the Company, acknowledging from such lender satisfaction in full of the Company's obligations and stating that, upon their receipt of the amount specified therein, all liens and security interests securing Seller's indebtedness to them will be released. All other creditors, other than creditors with respect to Permitted Encumbrances, shall have released all liens and security interests in the Purchased Assets.

(h) Buyer Consents . Buyer shall have received the consents listed on Schedule 3.4 .

(i) Good Standing Certificates . Seller shall have delivered to Buyer certificates dated as of a date not earlier than the third business day prior to the Closing as to the good standing of Seller and payment of all applicable state Taxes by Seller, executed by the appropriate officials of the State of Delaware, California and each other jurisdiction in which Seller is licensed or qualified to do business as a foreign corporation.

(j) Closing Deliverables . Seller shall have delivered to Buyer each of the items required to be delivered at the Closing under Section 6.4 .

6.3 Conditions to Obligations of Seller . The obligations of Seller to effect the Closing are subject to the fulfillment or satisfaction, on and as of the Closing, of each of the following conditions (any one or more of which may be waived by Seller):

(a) Accuracy of Representations and Warranties . Each of Buyer's representations and warranties in this Agreement that contains an express materiality qualification shall have been accurate in all respects as of the date of this Agreement and shall be accurate in all respects as of the time of the Closing as if then made. Each of Buyer's other representations and warranties in this Agreement shall have been accurate in all material respects as of the date of this Agreement and shall be accurate in all material respects as of the time of the Closing as if then made.

(b) Covenants . Buyer will have performed and complied with all of its covenants and obligations in all material respects contained in this Agreement on or before the Closing (to the extent that such covenants and obligations require performance by Buyer on or before the Closing).

(c) Compliance with Law; No Legal Restraints . There will not be issued, enacted or adopted, or threatened in writing by any Governmental Authority, any order, decree, temporary, preliminary or permanent injunction, legislative enactment, statute, regulation, or action, or any judgment or ruling by any Governmental Authority that prohibits or renders illegal or imposes material limitations on the Transactions.

(d) Closing Deliverables . Buyer shall have delivered to Seller each of the items required to be delivered at the Closing under Section 6.5 .

6.4 Deliveries by Seller . At the Closing, Seller shall deliver, or cause to be delivered, to Buyer the following:

(a) each of the following Collateral Agreements, dated as of the Closing Date, duly executed by Seller:

(i) the Assignment and Bill of Sale;

(ii) the Assumption Agreement;

(iii) the Domain Name Assignment;

(iv) the Patent Assignment Agreement; and

(v) the Trademark Assignment Agreement.

(b) a certificate of the Secretary of Seller, dated as of the Closing Date, in customary form and substance as to the organizational documents and approvals of Seller, including: (i) the Seller's certificate of incorporation as in effect at the time of the Closing; (ii) the Seller's Bylaws, as in effect at the Closing; (iii) approved by the Seller's Board of Directors authorizing the Transactions; (iv) resolutions approved by, or an action by written consent of, the Seller's stockholders holding not less than the requisite percentage under applicable Law and Contract of Seller's outstanding shares necessary to approve the Transactions; and (v) good standing certificates (including tax good standing) with respect to the Seller from the applicable authorities in Delaware and California, dated within ten Business Days of the Closing;

(c) a certificate executed by the Chief Executive Officer of Seller as to the accuracy of its representations and warranties as of the date of this Agreement and as of the Closing in accordance with Section 6.2(a) and as to its compliance with and performance of its covenants and obligations to be performed or complied with at or before the Closing in accordance with Section 6.2(b) ;

(d) a certificate from Seller certifying that Seller is not a foreign person for purposes of Code Section 1445 or that the purchase is otherwise exempt from withholding under Code Section 1445 (the " FIRPTA Certificate ");

(e) evidence reasonably satisfactory to Buyer that each of the Seller Consents listed on Schedule 6.4(e) has been obtained;

(f) a certificate executed by the Chief Executive Officer of Seller as to the amount of the Assumed Revenue Share Payables and the amount of the Excluded Revenue Share Payables; and

(g) all such other bills of sale, assignments and other instruments of assignment, transfer or conveyance, dated as of the Closing Date, as Buyer may reasonably request or as may be otherwise necessary to evidence and effect the sale, transfer, assignment, conveyance and delivery of the Purchased Assets to Buyer pursuant to this Agreement or any Collateral Agreement, and to put Buyer in actual possession or control of the Purchased Assets.

6.5 Deliveries by Buyer . At the Closing, Buyer shall deliver to Seller the following:

(a) the Closing Cash Consideration as provided in Section 1.3 ;

(b) each of the following Collateral Agreements, dated as of the Closing Date, duly executed by Buyer:

(i) the Assignment and Bill of Sale;

(ii) the Assumption Agreement;

(iii) the Domain Name Assignment;

(iv) the Patent Assignment Agreement; and

(v) the Trademark Assignment Agreement; and

(c) all such other documents and instruments of assumption, dated as of the Closing Date, as Seller may reasonably request or as may be otherwise necessary to evidence and effect the assumption by Buyer of the Assumed Liabilities pursuant to this Agreement.

6.6 Closing Date . The Closing will take place at the offices of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, New York, at 10:00 a.m. local time on the date hereof (such date and time being referred to herein as the " Closing Date ").

6.7 Contemporaneous Effectiveness. All acts and deliveries prescribed by this Article 6, regardless of chronological sequence, will be deemed to occur contemporaneously and simultaneously on the occurrence of the last act or delivery, and none of such acts or deliveries will be effective until the last of the same has occurred.

7. POST-CLOSING INDEMNIFICATION

7.1 Survival. If the Transactions are consummated, (a) the representations and warranties of Buyer set forth in this Agreement (other than the Buyer Fundamental Representations) will survive the Closing and remain in full force and effect until 11:59 p.m. (Pacific Time) on the date that is 12 months following the Closing Date, (b) the representations and warranties of Seller set forth in this Agreement (other than the Seller Fundamental Representations) will survive the Closing and remain in full force and effect until 11:59 p.m. (Pacific Time) on the date that is 12 months following the Closing Date, (c) the Fundamental Representations (other than the representations and warranties in Section 2.11 (Intellectual Property)) will survive the Closing and remain in full force and effect until the expiration of all applicable statutes of limitations or extensions thereof, and (d) the representations and warranties in Section 2.11 (Intellectual Property) will survive the Closing and remain in full force and effect until 11:59 p.m. (Pacific Time) on the date that is 18 months following the Closing Date (the periods referred to in clauses (a), (b), (c) and (d), the " Survival Period "); provided, however, that in the event that any Indemnified Party delivers a Claim Certificate (defined below) to a Party setting forth a claim for indemnification, compensation or reimbursement under this Article 7 in respect of a breach of a representation or warranty of a Party set forth in this Agreement or in any certificate delivered by or on behalf of a Party pursuant to the terms of this Agreement prior to the expiration of the applicable Survival Period, then such representation or warranty will survive the expiration of the applicable Survival Period and remain in full force and effect solely with respect to such claim until the final resolution thereof. It is the express intent of the Parties that, if the applicable survival period for an item contemplated by this Section 7.1 is shorter than the statute of limitations that would otherwise have been applicable to such item, then, by contract, the applicable statute of limitations with respect to such item will be reduced to the shortened survival period contemplated herein. The covenants herein of the Parties will survive until they terminate in accordance with their terms; provided, however, that in the event that any Indemnified Party shall deliver a Claim Certificate (defined below) to a Party setting forth a claim for indemnification, compensation or reimbursement under this Article 7 in respect of any non-fulfillment or breach of a covenant of a Party prior to the expiration of the applicable covenant, then such covenant will survive and remain in full force and effect solely with respect to such claim until the final resolution thereof.

7.2 Indemnification .

(a) Subject to the limitations set forth in this Article 7 , from and after the Closing, Seller shall indemnify and hold harmless Buyer and its directors, officers, employees, Affiliates and other persons who control or are controlled by Buyer and their respective Representatives (collectively, the " Buyer Indemnified Parties "), from and against, and shall compensate and reimburse the Buyer Indemnified Parties for, any and all Losses which are suffered or incurred by any of the Buyer Indemnified Parties or to which any of the Buyer Indemnified Parties may otherwise become subject (regardless of whether or not such Losses relate to any third party claim, except for Section 7.2(a)(iii) below, which claim is required to be a Third-Party claim) to the extent that such Losses arise from or as a result of, or are connected with:

(i) any Excluded Liabilities;

(ii) any breach of or inaccuracy in any of the representations or warranties made by Seller in this Agreement;

(iii) any Third-Party claims related to the designing, developing, offering for sale, selling, licensing, marketing, supplying, importing, making, using, distributing, maintaining, supporting, performing, displaying, reproducing or creating derivatives of the Products by Seller prior to Closing;

(iv) any non-fulfillment or breach of any covenant or other agreement of Seller under this Agreement;

(v) any Liability for Taxes of Seller and any Transfer Taxes for which Seller is responsible pursuant to Section 4.2(e) of this Agreement; and

(vi) any fraud of Seller in connection with the negotiation of this Agreement and the consummation of the Transactions.

(b) Subject to the limitations set forth in this Article 7, from and after the Closing, Buyer shall indemnify and hold harmless Seller and its directors, officers, employees, Affiliates and other persons who control or are controlled by Seller and their respective Representatives (collectively, the " Seller Indemnified Parties "), from and against, and shall compensate and reimburse the Seller Indemnified Parties for, any and all Losses which are suffered or incurred by any of the Seller Indemnified Parties or to which any of the Seller Indemnified Parties may otherwise become subject (regardless of whether or not such Losses relate to any third party claim) to the extent that such Losses arise from or as a result of, or are connected with:

(i) any Assumed Liabilities;

(ii) any breach of or inaccuracy in any of the representations or warranties made by Buyer in this Agreement;

(iii) any non-fulfillment or breach of any covenant or other agreement of Buyer under this Agreement; and

(iv) any fraud of Buyer in connection with the negotiation of this Agreement and the consummation of the Transactions.

(c) From and after the Closing, the rights of Buyer and Seller to indemnification under this Article 7 will be the exclusive remedies of the Parties with respect to any breach of, inaccuracy in or nonfulfillment of any representation, warranty, covenant or agreement contained in this Agreement or the Transactions. Notwithstanding the foregoing, the limitations set forth in this Section 7.2(c) will not apply to any actions to specifically enforce the covenants in this Agreement.

7.3 Limitations on Indemnification .

(a) The Buyer Indemnified Parties will not be entitled to recover any Losses under Section 7.2(a)(ii) until such time as the total amount of all such Losses that have been directly suffered or incurred by any one or more of the Buyer Indemnified Parties, or to which any one or more of the Buyer Indemnified Parties has or have otherwise directly become subject, exceeds $50,000 (the " Loss Threshold "), in which case the Buyer Indemnified Parties will be entitled to recovery for all such Losses, including Losses within the Loss Threshold.

(b) (i) The maximum aggregate amount of Losses that the Buyer Indemnified Parties will be entitled to recover under Section 7.2(a)(ii) of this Agreement, excluding Losses arising from any breach of or inaccuracy in any Seller Fundamental Representations, will be limited to the Holdback Cash Consideration; (ii) the maximum aggregate amount of Losses that the Buyer Indemnified Parties will be entitled to recover under Section 7.2(a)(ii) of this Agreement for Losses arising from any breach of or inaccuracy in Section 2.11 (Intellectual Property) will be limited to 50% of the Purchase Price; and (iii) the maximum aggregate amount of Losses that the Buyer Indemnified Parties will be entitled to recover under all other sections of this Agreement, including under Section 7.2(a)(ii) of this Agreement with respect to Losses arising from any breach of or inaccuracy in any Seller Fundamental Representations (other than the representations and warranties in Section 2.11 (Intellectual Property)), will be limited to the Purchase Price.

(c) The maximum aggregate amount of Losses that the Seller Indemnified Parties will be entitled to recover under this Agreement will be limited to an amount equal to the Purchase Price.

(d) Any Losses hereunder will be determined without duplication of recovery that would result from the set of facts giving rise to such Losses constituting a breach or other violation of more than one representation, warranty or covenant hereunder.

(e) There will be no obligation to indemnify under Section 7.2 to the extent the Loss relates to any breach of representation, warranty, or covenant expressly waived in writing by the other Party.

(f) In calculating the amount of any Losses in respect of any breach of or inaccuracy in any representation or warranty or the non-fulfillment or breach of any covenant or agreement, any materiality or Material Adverse Effect standard or qualification contained in or otherwise applicable to such representation, warranty, covenant or agreement will be disregarded.

(g) Any indemnification payment made by Seller or offset against the Holdback Cash Consideration will be deemed a reduction in the Purchase Price.

7.4 Indemnification Claims .

(a) Subject to Section 7.5 below, if an Indemnified Party is of the opinion that it has or may have a right to indemnification, compensation or reimbursement under this Agreement (an " Indemnification Claim "), such Indemnified Party shall so notify the Indemnifying Party in a written notice (a " Claim Certificate ") promptly after receipt of notice of any such right, but in any event, prior to the expiration of the applicable Survival Period; provided , however , that the failure to promptly notify the Indemnifying Party thereof will not relieve the Indemnifying Party from liability in connection therewith except and to the extent (and only to the extent) that such failure has materially prejudiced the Indemnifying Party (it being understood, however, that a failure to deliver a Claim Certificate prior to the expiration of an applicable Survival Period will relieve the Indemnifying Party from liability in connection therewith). Each Claim Certificate shall (i) state that such Indemnified Party has suffered or incurred any Losses for which it is entitled to indemnification, compensation or reimbursement under this Agreement; (ii) contain a brief description in reasonable detail (to the extent available to such Indemnified Party) of the facts, circumstances or events giving rise to each item of Losses based on such Indemnified Party's good faith belief thereof; and (iii) state the basis for indemnification, compensation or reimbursement under this Agreement to which such item of Losses is related.

(b) In the event that the Indemnifying Party seeks to contest any individual items of Losses set forth in a Claim Certificate, the Indemnifying Party shall so notify the Indemnified Party in writing (an " Objection Notice ") within 30 days after receipt of such Claim Certificate, which Objection Notice shall set forth a brief description in reasonable detail of the Indemnifying Party's basis for objecting to each item of Loss. In the event that the Indemnifying Party fails to object to any items of Loss set forth in a Claim Certificate within the foregoing 30-day period, the Indemnifying Party shall be deemed to have irrevocably agreed and consented to indemnify, compensate and reimburse the Indemnified Party in respect of such items of Loss pursuant to the terms of this Agreement.

7.5 Third Party Claims . In the event any Action is instituted against an Indemnified Party by a Third Party which involves or appears reasonably likely to involve an Indemnification Claim hereunder (a " Third Party Claim "), the Indemnified Party shall, promptly after receipt of notice of any such Action, notify the Indemnifying Party of the commencement thereof; provided , however , that the failure to so notify the Indemnifying Party of the commencement of any such Action will relieve the Indemnifying Party from liability in connection therewith except and to the extent (and only to the extent) that such failure has materially prejudiced the Indemnifying Party. Upon receipt of such notice, the Indemnifying Party will have the right, in its sole discretion, to control the defense or settlement of such Third Party Claim by appointing a recognized and reputable counsel reasonably acceptable to the Indemnified Party to be the lead counsel in connection with such defense; provided , that prior to the Indemnifying Party assuming control of such defense or settlement, it shall first verify to the Indemnified Party in writing that such Indemnifying Party will be responsible for all liabilities and obligations relating to such Third Party Claim to the extent provided, and up to the limitations (if any) set forth, in this Article 7, and subject to such limitations, and provided , further , that:

(a) the Indemnified Party will be entitled to participate in the defense or settlement of such Third Party Claim and to employ counsel of its choice for such purpose; provided that the fees and expenses of such separate counsel shall be borne by the Indemnified Party (other than any fees and expenses of such separate counsel that are incurred prior to the date the Indemnifying Party effectively assumes control of such defense which, notwithstanding the foregoing, shall be borne by the Indemnifying Party, and except that the Indemnifying Party shall pay all of the fees and expenses of such separate counsel if the Indemnified Party has been advised by counsel that a reasonable likelihood exists of a conflict of interest between the Indemnifying Party and the Indemnified Party);

(b) the Indemnifying Party will not be entitled to assume control of, or continue to control if any of the following conditions is not satisfied at any time following the Indemnifying Party's assumption of control, such defense or settlement (unless otherwise agreed to in writing by the Indemnified Party) if (i) the claim for indemnification, compensation or reimbursement relates to or arises in connection with any criminal proceeding, action, indictment, allegation or investigation; (ii) the claim primarily seeks an injunction or equitable or any other non-monetary relief against the Indemnified Party; (iii) the Indemnifying Party fails to prosecute or defend such claim; or (iv) the amount of Losses reasonably likely to be incurred pursuant to such Third Party Claim (when combined with all other outstanding claims for indemnification, compensation or reimbursement and any amount previously paid by the Indemnifying Party that applies toward the applicable cap under Section 7.3 (if any)) is reasonably likely to exceed the applicable cap contemplated by Section 7.3(b)(ii) or 7.3(c) ;

(c) if the Indemnifying Party controls the defense or settlement of any Third Party Claim, the Indemnifying Party shall obtain the prior written consent of the Indemnified Party before entering into any settlement of or consenting to the entry of any judgment with respect to such claim, which consent will not unreasonably be withheld, conditioned or delayed; provided, no prior written consent of the Indemnified Party shall be required if (1) the terms of the proposed settlement or judgment include as an unconditional and with-prejudice term thereof the granting by the third party to the relevant Indemnified Parties a release from all Liability in respect of such Third Party Claim; (2) there is (A) no finding or admission of any violation of Law by any Indemnified Party, and (B) no finding or admission of any violation of the rights of any Person by any Indemnified Party; and (3) the sole form of relief is monetary damages that shall be paid in full by the Indemnifying Party; and

(d) if the Indemnified Party shall control the defense or settlement of any Third Party Claim, (i) the Indemnifying Party will be entitled to participate at its own cost in the defense or settlement of such Third Party Claim and to employ counsel of its choice for such purpose and to receive copies of all pleadings, notices and communications with respect to such Third Party Claim, and (ii) the Indemnified Party shall obtain the prior written consent of the Indemnifying Party before entering into any settlement of or consenting to the entry of any judgment with respect to such Third Party Claim, which consent will not unreasonably be withheld, conditioned or delayed; provided, no prior written consent of the Indemnifying Party shall be required if (1) the terms of the proposed settlement or judgment include as an unconditional and with-prejudice term thereof the granting by the third party to the relevant Indemnifying Parties a release from all Liability in respect of such Third Party Claim; (2) there is (A) no finding or admission of any violation of Law by any Indemnifying Party, and (B) no finding or admission of any violation of the rights of any Person by any Indemnifying Party; and (3) the sole form of relief is monetary damages that will be paid in full by the Indemnified Party; provided , however , that, without the consent of the Indemnifying Party, no settlement of any such Third Party Claim will be determinative of the existence of or amount of Losses relating to such matter or whether such Losses are indemnifiable hereunder.

(e) Each Party shall reasonably cooperate with the other Party if such other Party is controlling the defense and settlement of any claims pursuant to and in compliance with this Section 7.5 and shall make available to such other Party (and its representatives), during normal business hours and upon reasonable prior notice, all employees and such information, books and records in its possession or under its control as may be reasonably necessary or useful in connection with the defense or settlement of such claims.

7.6 Setoff Against, and Release of, Holdback Cash Consideration .

(a) If and to the extent that any Buyer Indemnified Party is entitled to indemnification pursuant to this Agreement (after giving effect to the indemnification limitations set forth in this Article 7), Buyer shall first set off and apply all indemnifiable Losses of the Buyer Indemnified Parties against the Holdback Cash Consideration payable to Seller and, if the Holdback Cash Consideration is exhausted, by demanding cash payment for monetary Losses from Seller. Upon the final determination of any claim for indemnification, the remaining Holdback Cash Consideration shall be reduced by the amount reasonably necessary to satisfy and pay such claim.

(b) Notwithstanding anything to the contrary in this Agreement, if any claims for indemnification by a Buyer Indemnified Party, for which a Claim Certificate has been delivered to the Seller in accordance with this Agreement and prior to the expiration of the applicable Survival Period, have not been finally resolved before the Holdback Release Date, Buyer may continue to hold back and not pay Seller an amount of the Holdback Cash Consideration sufficient to offset such pending claims should they be determined in favor of the Buyer

Indemnified Parties. Promptly after final resolution of each such pending claim, Buyer shall pay to Seller the portion of the Holdback Cash Consideration that is in excess of the amount of any then remaining pending claims for indemnification hereunder.

8. TERMINATION

8.1 Termination Events . By notice given prior to or at the Closing, subject to Section 8.2 , this Agreement may be terminated as follows:

(a) by Buyer if a material breach of any provision of this Agreement has been committed by Seller and such breach has not been cured within 20 days after notice thereof from Buyer;

(b) by Seller if a material breach of any provision of this Agreement has been committed by Buyer and such breach has not been cured within 20 days after notice thereof from Seller;

(c) by mutual consent of Buyer and Seller;

(d) by Buyer if the Closing has not occurred on or before the 90th day following the date of this Agreement (the " Termination Date "), or such later date as the Parties may agree upon, unless the Buyer is in material breach of this Agreement; or

(e) by Seller if the Closing has not occurred on or before the Termination Date, or such later date as the Parties may agree upon, unless the Seller is in material breach of this Agreement.

8.2 Effect of Termination . Each Party's right of termination under Section 8.1 is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of such right of termination will not be an election of remedies. If this Agreement is terminated pursuant to Section 8.1 , all obligations of the Parties under this Agreement will terminate, except that the obligations of the Parties in Section 5.1, this Section 8.2 and Article 9 will survive; provided , however , that, if this Agreement is terminated because of a breach of this Agreement by the nonterminating party or because one or more of the conditions to the terminating party's obligations under this Agreement is not satisfied as a result of the party's failure to comply with its obligations under this Agreement, the terminating party's right to pursue all legal remedies will survive such termination unimpaired.

9. MISCELLANEOUS PROVISIONS

9.1 Notices . All notices, deliveries and other communications pursuant to this Agreement will be in writing and will be deemed given if delivered personally, telecopied, delivered by globally recognized express delivery service or electronic mail to the Parties at the addresses or facsimile numbers set forth below or to such other address or facsimile number as the Party to whom notice is to be given may have furnished to the other Party hereto in writing in accordance herewith. Any such notice, delivery or communication will be deemed to have been delivered and received (a) in the case of personal delivery, on the date of such delivery, (b) in the case of telecopy, on the Business Day after the day that the Party giving notice receives electronic confirmation of sending from the sending telecopy machine, (c) in the case of a globally recognized express delivery service, on the Business Day that receipt by the addressee is confirmed pursuant to the service's systems and (d) in the case of electronic mail sent prior to the close of normal business hours on a Business Day, on the date of sending (or on the next Business Day if sent after the close of normal business hours or on any non-Business Day) if confirmation of receipt is received.

If to Seller prior to Closing, to:

Technorati, Inc.
360 Post Street, Suite 1100
San Francisco, CA 94108-4904
Attn: Shani Higgins
Facsimile: (415) 651-9204
Email: shiggins@technoratimedia.com

With a copy (which will not constitute notice) to:

Piciocchi Legal, PLLC
903 2nd Avenue
Salt Lake City, UT 84103
Attn: Mary Piciocchi
Email: Mary@Piciocchi.com

If to the Seller Representative or to Seller (including Seller as Indemnified Party or Indemnifying Party) after the Closing, to:

Shareholder Representative Services LLC
1614 15th Street, Suite 200
Denver, CO 80202
Attn: Managing Director
Facsimile: (303) 623-0294
Telephone: (303) 648-4085
Email: deals@srsacquiom.com

If to Buyer, to:

Synacor, Inc.
40 La Riviere Drive, Suite 300
Buffalo, NY 14202
Attn: Chief Financial Officer
Facsimile: (716) 332-9547
Email: wstuart@synacor.com

With a copy (which will not constitute notice) to:

Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP
220 W. 42nd Street, 17th Floor
New York, NY 10036
Attn: Brian C. Hutchings, Esq.
Facsimile: (887) 881-3007
Email: bhutchings@gunder.com

9.2 Expenses . Except as otherwise provided in this Agreement, each Party to this Agreement will bear all the fees, costs and expenses (including fees, costs and expenses of legal counsel, investment bankers, brokers and other Representatives and consultants) that are incurred by it in connection with the Transactions contemplated hereby, whether or not such Transactions are consummated (a Party's " Transaction Expenses ").

9.3 Entire Agreement . The agreement of the Parties, which consists of this Agreement, the Collateral Agreements, the Schedules and Exhibits hereto and thereto and the Confidentiality Agreement sets forth the entire agreement and understanding between the Parties and supersedes any prior agreement or understanding, written or oral, relating to the subject matter of this Agreement.

9.4 Assignment; Binding Effect; Severability .

(a) This Agreement may not be assigned by any Party hereto without the other Party's written consent; provided , however , that, following the Closing, Buyer may assign its rights and obligations hereunder to one or more of its Affiliates or a purchaser or acquirer of all or substantially all of the business or assets of Buyer, whether by merger, reorganization, consolidation, amalgamation, sale of stock or assets, but any such assignment will not relieve Buyer of any of its obligations hereunder. This Agreement will be binding upon and inure to the benefit of and be enforceable by the successors, legal representatives and permitted assigns of each Party hereto. The provisions of this Agreement are severable, and in the event that any one or more provisions are deemed illegal or unenforceable the remaining provisions will remain in full force and effect unless the deletion of such provision will cause this Agreement to become materially adverse to either Party, in which event the Parties shall use commercially reasonable efforts to arrive at an accommodation that best preserves for the Parties the benefits and obligations of the offending provision.

(b) Upon a Change of Control of Buyer or its successors and assigns or upon the sale of all or substantially all of any subsidiary, division, business unit or product line relating to the subject matter of this Agreement, whether by merger, sale of assets, sale of stock, or otherwise, the acquirer in any such transaction shall expressly assume the obligations of the Buyer under this Agreement.

(c) If, at the time of enforcement of the covenants contained in Article 5 (the " Restrictive Covenants "), a court holds that the duration, scope or area restrictions stated therein are unreasonable under circumstances then existing, the Parties agree that the maximum duration, scope or area reasonable under such circumstances will be substituted for the stated duration, scope or area and that the court will be allowed and directed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by Law. Seller hereby acknowledges that the Restrictive Covenants are reasonable in terms of duration, scope and area restrictions and are necessary to protect the goodwill of Seller's Business and the substantial investment in Seller made by Buyer hereunder. Seller further acknowledges and agrees that the Restrictive Covenants are being entered into by it in connection with the sale by Seller of the Purchased Assets and the goodwill of the Business pursuant to this Agreement.

9.5 Dispute Resolution; Venue; and Governing Law . This Agreement will be governed by and construed in accordance with the laws of the State of California, regardless of the laws that might otherwise govern under applicable principles of conflicts of law. Each of the parties hereto irrevocably consents to the exclusive jurisdiction and venue of any court within San Francisco, California, in connection with any matter based upon or arising out of this Agreement or the matters contemplated herein, agrees that process may be served upon them in any manner authorized by the laws of the State of California for such persons and waives and covenants not to assert or plead any objection which they might otherwise have to such jurisdiction, venue and such process. Each Party agrees not to commence any legal proceedings related hereto except in such courts.

9.6 Specific Enforcement . The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties will be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court of competent jurisdiction without bond or other security being required, this being in addition to any other remedy to which they are entitled at law or in equity.

9.7 Waiver of Jury Trial . Each Party hereby waives, to the fullest extent permitted by applicable Law, any right it may have to a trial by jury in respect of any litigation directly or indirectly arising out of, under or in connection with this Agreement and the Transactions contemplated hereby. Each Party certifies that no Representative of any other Party has represented to it, expressly or otherwise, that such other Party would not, in the event of litigation, seek to enforce the foregoing waiver.

9.8 Execution in Counterparts . This Agreement and any signed agreement or instrument entered into in connection with this Agreement, and any amendments hereto or thereto, may be executed in two or more counterparts and by the different Parties hereto on separate counterparts, each of which when so executed and delivered will be an original, but all of which together will constitute one and the same instrument. Any such counterpart, to the extent delivered by means of a fax machine or by .pdf, .tif, .gif, .jpeg or similar attachment to electronic mail (any such delivery, an " Electronic Delivery ") will be treated in all manner and respects as an original executed counterpart and will be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. No Party hereto shall raise the use of Electronic Delivery to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of Electronic Delivery as a defense to the formation of a contract, and each such Party forever waives any such defense, except to the extent that such defense relates to lack of authenticity.

9.9 No Third-Party Beneficiaries . Nothing in this Agreement, express or implied, is intended to or will (a) confer on any Person other than the Parties hereto and their respective successors or assigns any rights (including third-party beneficiary rights), remedies, obligations or liabilities under or by reason of this Agreement (except for Indemnified Parties as provided in Article 7), or (b) constitute the Parties hereto as partners or as participants in a joint venture. This Agreement will not provide Third Parties with any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to the terms of this Agreement (except for Indemnified Parties as provided in Article 7). Nothing in this Agreement will be construed as giving to any Business Employee, or any other individual, any right or entitlement under any benefit plan, policy or procedure maintained by Seller or Buyer. No Third Party will have any right, independent of any right that exists irrespective of this Agreement, under or granted by this Agreement, to bring any suit at law or equity for any matter governed by or subject to the provisions of this Agreement (except for Indemnified Parties as provided in Article 7).

9.10 Other Definitional and Interpretive Matters . Unless otherwise expressly provided, for purposes of this Agreement, the following rules of interpretation will apply:

(a) when a reference is made in this Agreement to an Article, Section, subsection, Exhibit, Annex, Schedule or Recitals, such reference is to an Article, Section or Subsection of, an Exhibit, Annex or Schedule or the Recitals to, this Agreement unless otherwise indicated;

(b) the headings for this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement;

(c) the words "include," "includes" or "including" (or similar terms) are deemed to be followed by the words "without limitation";

(d) the words "hereof," "herein" and "hereunder" and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement;

(e) the word "or" is not limiting or exclusive;

(f) if any action is to be taken by any party hereto pursuant to this Agreement on a day that is not a Business Day, such action will be taken on the next Business Day following such day;

(g) the Parties have participated jointly in the negotiation and drafting hereof; if any ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the Parties, and no presumption or burden of proof will arise favoring or disfavoring any Party by virtue of the authorship of any provision hereof; no prior draft of this Agreement nor any course of performance or course of dealing will be used in the interpretation or construction hereof; and

(h) the contents of the Seller Disclosure Schedule (and the other Schedules), Exhibits and Annexes form an integral part of this Agreement and any reference to "this Agreement" will be deemed to include the Schedules, Exhibits and Annexes hereto.

9.11 Waiver of Agreement . Any term or condition hereof may be waived by the Party hereto which is entitled to the benefits thereof by action taken by its Board of Directors or its duly authorized officer or employee; provided , however , that such action shall be evidenced by a written instrument duly executed on behalf of such Party by its duly authorized officer or employee. The failure of either Party to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision nor shall it in any way affect the validity of this Agreement or the right of such Party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement will be held to constitute a waiver of any other or subsequent breach.

9.12 Amendment of Agreement . This Agreement may be amended with respect to any provision contained herein at any time by action of the Parties hereto taken by their Boards of Directors or by their duly authorized officers or employees, whether before or after such Party's action; provided , however , that such amendment shall be evidenced by a written instrument duly executed on behalf of each Party by its duly authorized officer or employee.

9.13 Seller Representative. The Seller hereby appoints the Seller Representative as the representative, agent and attorney-in-fact of Seller and each securityholder of Seller for all purposes in connection with this Agreement and the transactions contemplated hereby. In addition, by voting in favor of the adoption of this Agreement, the approval of the principal terms hereof, and the consummation of the transaction or participating in the transaction and/or receiving the benefits thereof, including the right to receive the consideration payable in connection herewith, each securityholder of Seller shall be deemed to have approved the designation of, and hereby designates, Shareholder Representative Services LLC as the Seller Representative. The Seller Representative may resign at any time. The Seller Representative will incur no liability of any kind with respect to any action or omission by the Seller Representative in connection with the Seller Representative's services in connection with this Agreement, except in the event of liability directly resulting from the Seller Representative's bad faith, gross negligence or willful misconduct. The Seller and the Seller's securityholders will indemnify, defend and hold harmless the Seller Representative from and against any and all losses, liabilities, damages, claims, penalties, fines, forfeitures, actions, fees, costs and expenses (including the fees and expenses of counsel and experts and their staffs and all expense of document location, duplication and shipment) (collectively, " Representative Losses ") arising out of or in connection with the Seller Representative's execution and performance of this Agreement, in each case as such Representative Loss is suffered or incurred; provided , that in the event that any such Representative Loss is finally adjudicated to have been directly caused by the bad faith, gross negligence or willful misconduct of the Seller Representative, the Seller Representative will reimburse the applicable Seller or Seller securityholder the amount of such indemnified Representative Loss to the extent attributable to such bad faith, gross negligence or willful misconduct. In no event will the Seller Representative be required to advance its own funds on behalf of the Sellers or otherwise. The foregoing indemnities will survive the resignation or removal of the Seller Representative or the termination of this Agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, each party has caused this Asset Purchase Agreement to be duly executed on its behalf by its duly authorized officer as of the date first written above.

SELLER :

Technorati, Inc.

By: /s/ Shani Higgins
Name: Shani Higgins
Title: CEO

BUYER :

Synacor, Inc.

By: /s/ Himesh Bhise
Name: Himesh Bhise
Title: Chief Executive Officer

SELLER REPRESENTATIVE :

Shareholder Representative Services LLC ,
solely in its capacity as the Seller Representative

By: /s/ W. Paul Koenig
Name: W. Paul Koenig
Title: Managing Director

ANNEX A

DEFINITIONS

For all purposes of and under this Agreement, the capitalized terms in this Annex A will have the meanings set forth below.

" Action " means any criminal, judicial, administrative or arbitral action, audit, charge, claim, complaint, demand, grievance, hearing, inquiry, investigation, litigation, mediation, proceeding, subpoena or suit, whether civil, criminal, administrative, judicial or investigative, whether formal or informal, whether public or private, commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Authority or private arbitrator or mediator.

" Affiliate " when used with reference to any Person, means another Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with such first Person.

" AppNexus Agreement " means the Master Services Agreement between Seller and AppNexus Inc. dated October 1, 2014 and all exhibits, schedules, renewals and extensions thereto.

" Assignment and Bill of Sale " means the Assignment and Bill of Sale attached hereto as Exhibit A .

" Assumed PTO Expenses " means accrued expenses of Seller as of the Closing Date for paid time off, but solely with respect to Business Employees who have consented to Buyer in writing before the Closing to transfer their accrued paid time off to Buyer's plan, in lieu of a cash payment from Seller upon termination of their employment with Seller. Seller agrees to use its reasonable best efforts to cause each Business Employee to sign such a consent before the Closing. Notwithstanding the foregoing, in no event will Assumed PTO Expenses include the paid time off accrued with respect to Vincent Ye.

" Assumed Revenue Share Payables " means amounts payable by Seller to website publishers and/or publishers' representatives as a revenue share due or fixed price fee for advertisements sold by Seller on publishers' websites, calculated as of the Closing Date; provided that Assumed Revenue Share Payables shall not include the Excluded Revenue Share Payables.

" Assumption Agreement " means the Assumption Agreement attached hereto as Exhibit B .

" Business Day " means any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Law to be closed in San Francisco, CA.

" Business Employees " mean the employees of Seller, all of whom are listed on Section 2.9(a)(i) of the Seller Disclosure Schedule.

“ Business Records ” mean all books, records, reports, ledgers and files or other similar information (in any form or medium), including product documentation, product specifications, purchasing and sale records, invoices, credit records, price lists, customer lists, vendor lists, mailing lists, warranty information, marketing requirement documents, catalogs, sales promotion literature, advertising materials, brochures, records of operation, standard forms of documents, manuals of operations or business procedures, purchasing materials and records, manufacturing and quality control records and procedures, research and development files and materials, data and laboratory books, invention disclosures, media materials and plates, litigation files, product (including any related software) release orders, research materials and product testing reports, in each case maintained by or on behalf of Seller and used in or held for use in the Business, and in each case excluding any Excluded Records.

“ Buyer Fundamental Representations ” mean the representations and warranties of Buyer set forth in Section 3.1 (Organization and Qualification), Section 3.2 (Authorization) and Section 3.3 (Binding Effect).

“ Buyer Material Adverse Effect ” means a material adverse effect on the business, assets (including intangible assets), liabilities, financial condition, property, or results of operations of the Buyer and the Subsidiaries of Buyer, including that would have a material adverse effect on the ability of Buyer to consummate the Transactions or to perform its obligations under this Agreement or the Collateral Agreements.

“ Change of Control ” shall mean (i) any acquisition of a Person by a third party by means of any transaction or series of related transactions (including, without limitation, any stock acquisition, reorganization, merger or consolidation but excluding any sale of stock for capital raising purposes) other than a transaction or series of transactions in which the holders of the voting securities of such Person outstanding immediately prior to such transaction continue to retain (either by such voting securities remaining outstanding or by such voting securities being converted into voting securities of the surviving entity) a majority of the total voting power represented by the voting securities of such Person or such surviving entity outstanding immediately after such transaction or series of transactions, or (ii) a sale, lease, irrevocable and exclusive license or other disposition of all or substantially all of the assets and/or intellectual property of such Person and its Subsidiaries, on a consolidated basis.

“ Closing ” means the closing of the transactions described in Article 6 .

“ Closing Date ” means the date of the Closing as determined pursuant to Section 6.1 .

“ Code ” means the U.S. Internal Revenue Code of 1986, as amended.

“ Collateral Agreements ” means (i) the Assignment and Bill of Sale, (ii) the Assumption Agreement, (iii) the Domain Name Assignment, (iv) the Patent Assignment Agreement and (v) the Trademark Assignment Agreement.

“ Confidential Information ” means any non-public, proprietary information, regardless of the form in which it was or is created, stored, reproduced or disclosed, including Trade Secrets, know-how, Software, Technology, technical information, business information, financial information, marketing plans, business strategies, marketing ideas and concepts, especially with respect to unannounced products and services, present and future product plans, pricing, volume estimates, financial data, product enhancement information, business plans, marketing plans, sales strategies, customer information (including customers' applications and environments), market testing information, development plans, specifications, customer requirements, data, product and services roadmap information, strategic planning information and other non-public, proprietary information.

" Confidentiality Agreement " means the agreement between Seller and Buyer dated January 27, 2016.

" Contract " means any contract, agreement, indenture, note, bond, loan, instrument, license, lease (including real and personal property leases), conditional sale contract, purchase or sales orders, mortgage, undertaking, commitment, understanding, undertaking, option, warrant, calls, rights or other enforceable arrangement or agreement, whether written or oral.

" Control " means, as to any Person, the possession of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. The verb "Control" and the term "Controlled" have the correlative meanings.

" Copyrights " mean all copyrights, whether in published or unpublished works, which include literary works, musical works, dramatic works, pantomimes and choreographic works, pictorial, graphic and sculptural works, motion pictures and other audiovisual works, sound recordings, architectural works, software and any other original works of authorship fixed in any tangible medium of expression (in whatever form now or hereafter existing); rights in databases and data collections; mask work rights; rights to compilations and collective works; rights to derivative works of any of the foregoing; and, registrations and applications for registration for any of the foregoing and any renewals or extensions of such registrations.

" Domain Name Assignment " means the Domain Name Assignment attached hereto as Exhibit C .

" Domain Names " mean Internet electronic addresses, uniform resource locators and alphanumeric designations associated therewith registered with or assigned by any domain name registrar, domain name registry or other domain name registration authority as part of an electronic address on the Internet and all applications for any of the foregoing.

" Employee " means any employee, consultant or independent contractor of Seller.

" Encumbrance " means any lien (statutory or other), claim, charge, security interest, mortgage, pledge, easement, encumbrance, charge or other security interest or matter affecting title, preemptive right, existing or claimed right of first refusal, right of first offer, right of consent, put right, default, or other adverse claim of any kind or nature whatsoever (including any conditional sale or other title retention agreement or other similar restriction or right) affecting the Purchased Assets, but in any event will not include any license, covenant or other similar right or restriction.

“ Equipment ” means all (a) computers, servers, phones, cellular phones, desks, chairs, tables, filing cabinets, copy machines, fax machines, modems and routers, (b) tangible embodiments of software and other Confidential Information, and (c) other tangible personal property.

“ ERISA ” means the Employee Retirement Income Security Act of 1974, as amended.

“ ERISA Affiliate ” means any other Person under common control with Seller within the meaning of Section 414(b), (c), (m) or (o) of the Code and the regulations issued thereunder.

“ Excluded Contracts ” mean all Contracts of Seller that are not Purchased Contracts.

“ Excluded Equipment ” means the Equipment of Seller that is listed on Schedule 1.2(d) .

“ Excluded Intellectual Property ” means the Intellectual Property of Seller that is listed on Schedule 1.2(e) .

“ Excluded Records ” mean, whether or not such records are used exclusively in the Business, (i) any Tax, financial, accounting, personnel, medical or human resources records of Seller, (ii) any organizational documents, minute books, including stockholder and board of director resolutions, stock ledgers and stock records of Seller and (iii) any books, records (including software records), reports, ledgers and files or other similar information of Seller (in any form or medium) to the extent, for this subsection (iii), (A) any applicable Law prohibits their transfer or (B) Seller is required by Law to retain.

“ Excluded Revenue Share Payables ” means amounts payable by Seller to website publishers and/or publishers’ representatives as a revenue share due or fixed price fee for advertisements sold by Seller on publishers’ websites, calculated as of the Closing Date, where (i) the aggregate amount payable to the applicable publisher or publisher representative does not exceed $50.00 and (ii) no amounts have become payable to such publisher or publisher representative during the 90 days preceding the Closing Date.

“ Excluded Taxes ” mean any Liability for any Taxes for any Pre-Closing Tax Period relating to the Purchased Assets or Seller’s operation of the Business or any Liability for the Taxes of any other corporation in the consolidated group of which Seller is a member.

“ Fundamental Representations ” mean the Buyer Fundamental Representations and the Seller Fundamental Representations.

“ GAAP ” means U.S. generally accepted accounting principles.

“ Generally Available Products ” mean all Products, but not including any in-process versions.

" Governmental Authority " means any governmental, regulatory or administrative authority, agency, body, commission or other entity, whether international, multinational, national, regional, state, provincial or of a political subdivision and whether domestic or foreign; any court, judicial body, arbitration board or arbitrator; any tribunal of a self-regulatory organization; or any instrumentality of any of the foregoing.

" Governmental Permits " mean all governmental permits and licenses, certificates of inspection, approvals or other authorizations.

" Holdback Cash Consideration " is defined in Section 1.3 .

" Holdback Release Date " means the 12-month anniversary of the Closing Date.

" Indemnified Party " means any Person entitled to, or seeking, indemnification, compensation or reimbursement under the terms of this Agreement.

" Indemnifying Party " means any Party obligated to provide indemnification, compensation or reimbursement to an Indemnified Party under the terms of this Agreement.

" Intellectual Property " means Copyrights, Domain Names, Patents, Trademarks and Trade Secrets, mask works rights, sui generis database rights, moral rights and other intellectual property rights, and all business, contract rights and goodwill, including the right to sue for past, present and future infringement, misappropriation or other violation thereof, and all precursors, portions and work in progress, inventions, works of authorship, mask works, technology, information, know-how, materials and tools relating thereto or to the development, production, use, support or maintenance thereof.

" IRS " means the U.S. Internal Revenue Service.

" Key Employee " means each of Shani Higgins, Abderrezak Kamel and Michele Slack.

" Knowledge of Seller " or " to Seller's Knowledge " or similar words or phrases relating to knowledge of Seller means the actual knowledge of the following officers of Seller: Shani Higgins and Abderrezak Kamel, after reasonable inquiry of the direct employee reports of such officers that have knowledge of the subject matter of the applicable representation or warranty of Seller in Article 2 .

" Law " means the law of any jurisdiction, whether international, multilateral, multinational, national, federal, state, provincial, local or common law, an Order or act, statute, ordinance, regulation, rule, collective bargaining agreement, extension order or code promulgated by a Governmental Authority.

" Leases " are defined in Section 2.7(b) .

" Liability " means any and all debts, liabilities and obligations of any kind, whether accrued or fixed, absolute or contingent, matured or unmatured, determined or undeterminable, on- or off-balance sheet, including those arising under any Law, Action or Order and those arising under any Contract or otherwise.

“ Loss ” or “ Losses ” means any liability, loss, damage, Tax, deficiency, Encumbrance (other than a Permitted Encumbrance), settlement cost, fine, cost, interest, award, judgment, penalty, charge, including reasonable attorneys’ fees and consultants’ fees and expenses actually incurred, and including any out-of-pocket expenses incurred in connection with investigating, defending against or settling any of the foregoing, but excluding any consequential, incidental, indirect, special, punitive or exemplary damages (except to the extent that such damages are awarded in a non-appealable judgment or court order to a Third Party in connection with a Third Party Claim).

“ Material Adverse Effect ” means any change, effect, event, occurrence or state of facts that is, or is reasonably likely to be, either individually or when aggregated with all other changes, effects, events, occurrences or states of facts, materially adverse to (i) the business, condition (financial or other) or results of operations of the Business, (ii) the Purchased Assets or Assumed Liabilities, or (iii) Seller’s ability to consummate the Transactions, in each case other than any change, effect, event, occurrence or state of facts (A) resulting from conditions in the United States or foreign economies, banking or securities markets, (B) resulting from conditions in the industry in which the Business operates in general and not specifically relating to the Business, or (C) resulting from the announcement or pendency of the Transactions (including any action or inaction by the customers, suppliers, distributors, employees or competitors of Seller).

“ Object Code ” means one or more computer instructions in machine readable form (whether or not packaged in directly executable form), including any such instructions that are readable in a virtual machine, whether or not derived from Source Code, together with any partially compiled or intermediate code that may result from the compilation, assembly or interpretation of any Source Code. Object Code includes firmware, compiled or interpreted programmable logic, libraries, objects, routines, modules, bytecode, machine code, and middleware.

“ Order ” means any decision, ruling, charge, order, writ, judgment, injunction, decree, stipulation, determination, award or binding agreement issued, promulgated or entered by or with any Governmental Authority.

“ Patent Assignment Agreement ” means the Patent Assignment Agreement attached hereto as Exhibit D .

“ Patents ” mean all patents, industrial and utility models, industrial designs, petty patents, patents of importation, patents of addition, certificates of invention, and any other indicia of invention ownership issued or granted by any Governmental Authority, including all provisional applications, priority and other applications, divisionals, continuations (in whole or in part), extensions, reissues, re-examinations or equivalents or counterparts of any of the foregoing.

“ Pension Plan ” means each “ employee pension benefit plan ” (within the meaning of Section 3(2) of ERISA).

“ Permitted Encumbrances ” mean any (i) liens for Taxes, assessments and other governmental charges, liens of landlords, carriers, warehousemen, mechanics or materialmen incurred in the ordinary course of business, in each case for sums not yet due and payable or due but not delinquent or for sums being contested in good faith by appropriate proceedings, (ii) liens incurred or deposits made in the ordinary course of the Business in connection with workers' compensation, unemployment insurance and other types of social security or to secure statutory the performance of tendering, statutory obligations, surety and appeal bonds and other similar obligations, and (iii) licenses granted to customers of Seller.

" Person " means any natural person, general or limited partnership, corporation, limited liability company, joint venture, trust, firm, association or other legal or governmental entity.

" Pre-Closing Tax Period " means any Tax period ending on or before the Closing Date and, in the case of any Straddle Period, the portion of such Straddle Period ending on the Closing Date.

" Products " mean the advertising technology products, applications and services offered by Seller, including the products referred to as "Contango" and "SmartWrapper."

" Purchased Contracts " mean the Contracts set forth on Schedule 1.1(d) .

" Purchased Equipment " means Equipment (other than Excluded Equipment) owned or leased by Seller and used or held for use in, the operation of the Business, including (A) the Equipment that is listed on Schedule 1.1(e) , and (B) tangible embodiments of software residing on the Equipment referred to in the foregoing clause (A).

" Purchased Intellectual Property " means (i) the Trademarks listed on Schedule 1.1(a)(i) ; (ii) the Domain Names listed on Schedule 1.1(a)(ii) ; (iii) all Copyrights listed on Schedule 1.1(a)(iii) ; (iv) the Patents listed on Schedule 1.1(a)(iv) ; (v) to the extent not listed on the foregoing schedules and other than Excluded Intellectual Property, all Copyrights, Trade Secrets and Patents used in the Products or the Purchased Technology (including all Object Code and Source Code versions of the Products); and (vi) all Intellectual Property Rights relating thereto.

" Purchased Technology " means the Technology owned by Seller and used in the Products.

" Receivables " mean accounts receivable recorded in accordance with historical business practices regarding the booking and fulfillment of orders, notes receivable or similar items, together with any unpaid interest or fees accrued thereon or other amounts receivable with respect thereto, and any claim, remedy or other right related to any of the foregoing.

" Representatives " mean, with respect to any Person, such Person's officers, directors, employees, agents, counsel, accountants, financial advisors, lenders, consultants and other representatives; provided , however , that in respect of Seller, after the Closing Date, " Representatives " will not include any Business Employee.

" Seller Benefit Plan " means each Pension Plan, Welfare Plan and any other employment, bonus, profit sharing, deferred compensation, incentive compensation, stock ownership, stock option, stock purchase, phantom stock, performance, retirement, thrift, savings, stock bonus, excess benefit, supplemental unemployment, paid time off, perquisite, fringe benefit, vacation, sick leave, severance, disability, death benefit, hospitalization, medical, dental, life insurance, welfare benefit or other plan, program or arrangement (whether written or unwritten), in each case, maintained or contributed to, or required to be maintained or contributed to, by Seller or any of its ERISA Affiliates in which Business Employees participate.

" Seller Disclosure Schedule " means the disclosure schedule dated as of the date hereof and delivered by the Seller to the Buyer.

" Seller Fundamental Representations " mean the representations and warranties of Seller set forth in Section 2.1(a) (Organization and Qualification), Section 2.2 (Authorization), Section 2.3 (Binding Effect), Section 2.5(a) (Title), Section 2.11 (Intellectual Property), Section 2.12 (Taxes), and Section 2.17 (Brokers).

" Seller Real Property " is defined in Section 2.7(a) .

" Software " means computer software, programs and databases in any form, including Source Code, Object Code, operating systems and specifications, data, databases, database management code, firmware, utilities, graphical user interfaces, menus, images, icons, forms and software engines, and all related documentation, developer notes, comments and annotations.

" Source Code " means one or more statements in human readable form, including comments, definitions and annotations, which are generally formed and organized to the syntax of a computer or programmable logic programming language (including such statements in batch or scripting languages and including hardware definition languages such as VHDL), together with any and all text, data and data structures, diagrams, graphs, charts, presentations, manuals, instructions, commands, procedures, schematics, flow-charts and other work product or information that describe the foregoing.

" Straddle Period " means any Tax period that begins before and ends after the Closing Date.

" Subsidiary " of any Person means any other Person (1) of which the first Person owns directly or indirectly 50% or more of the equity interest in the other Person or (2) of which (or in which) an amount of the voting securities, other voting ownership or voting partnership interests of which is sufficient to elect at least a majority of its board of directors or other governing body (or, if there are no such voting interests, more than 50% of the equity interests of which) is directly or indirectly owned or Controlled by the first Person, by such Person with one or more of its Subsidiaries or by one or more of such Person's other Subsidiaries or (3) in which the first Person has the contractual or other power to designate a majority of the board of directors or other governing body.

" Tax Return " means any return, statement, report or form (including estimated Tax returns and reports, withholding Tax returns and reports, any schedule or attachment, and information returns and reports) filed or required to be filed with respect to Taxes.

" Tax " (and, with correlative meaning, " Taxes " and " Taxable ") means (i) any net income, alternative or add-on minimum tax, gross income, estimated, gross receipts, sales, use, ad valorem, value added, transfer, franchise, fringe benefit, capital stock, profits, license, registration, withholding, payroll, social security (or equivalent), employment, unemployment, disability, excise, severance, stamp, occupation, premium, property (real, tangible or intangible), environmental or windfall profit tax, custom duty or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or any penalty, addition to tax or additional amount (whether disputed or not) imposed by any Governmental Entity responsible for the imposition of any such tax (domestic or foreign) (each, a " Tax Authority "), (ii) any Liability for the payment of any amounts of the type described in clause (i) of this sentence as a result of being a member of an affiliated, consolidated, combined, unitary or aggregate group for any Taxable period and (iii) any Liability for the payment of any amounts of the type described in clause (i) or (ii) of this sentence as a result of being a transferee of or successor to any Person or as a result of any express or implied obligation to assume such Taxes or to indemnify any other Person.

" Technology " means (i) Software (including software development kits, APIs, computer programs, codecs, interfaces, software implementations of algorithms and models and methodologies), whether in Source Code, Object Code, or other form, (ii) databases, compilations, collections of data and data, (iii) inventions (whether or not patentable), (iv) methods and processes, (v) designs and schematics, (vi) know-how and (vii) works of authorship, including documentation (e.g. user manuals and training materials). Technology does not include Intellectual Property rights, including any Intellectual Property rights in any of the foregoing.

" Third Party " means any Person not an Affiliate of the other referenced Person or Persons.

" Trade Secrets " mean anything that would constitute a "trade secret" under applicable law, including inventions (whether patentable or not), industrial designs, discoveries, improvements, ideas, designs, models, formulae, patterns, compilations, data collections, drawings, blueprints, mask works, devices, methods, techniques, processes, know how, customer lists, software, technical information, business information and other Confidential Information.

" Trademark Assignment Agreement " means the Trademark Assignment Agreement attached hereto as Exhibit E .

" Trademarks " mean trademarks, service marks, fictional business names, trade names, commercial names, certification marks, collective marks, and other proprietary rights to any words, names, slogans, symbols, logos, devices or combinations thereof used to identify, distinguish and indicate the source or origin of goods or services; registrations, renewals, applications for registration; equivalents and counterparts of any of the foregoing; and, the goodwill of the business associated with each of the foregoing.

" Welfare Plan " means each "employee welfare benefit plan" (within the meaning of Section 3(1) of ERISA).

" WeWork Agreement " means that certain Membership Agreement between Seller and WW 995 Market LLC dated August 15, 2015.

OMITTED ATTACHMENTS TO THE ASSET PURCHASE AGREEMENT

Certain attachments to the Asset Purchase Agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Synacor hereby undertakes to provide to the Securities and Exchange Commission copies of such documents upon request; *provided, however* , that Synacor reserves the right to request confidential treatment for portions of any such documents.

EXHIBITS

Exhibit A	Assignment and Bill of Sale
Exhibit B	Assumption Agreement
Exhibit C	Domain Name Assignment
Exhibit D	Patent Assignment Agreement
Exhibit E	Trademark Assignment Agreement

SCHEDULES

Schedules	1.1(a)	Purchased Intellectual Property
	1.1(a)(i)	Trademarks
	1.1(a)(ii)	Domain Names
	1.1(a)(iii)	Copyrights
	1.1(a)(iv)	Patents
Schedule	1.1(d)	Purchased Contracts
Schedule	1.1(e)	Purchased Equipment
Schedule	1.2(d)	Excluded Equipment
Schedule	1.2(e)	Excluded Intellectual Property
Schedule	3.4	Buyer Consents
Schedule	6.4(e)	Seller Consents

Seller Disclosure Schedule

SYNACOR, INC. 2006 STOCK PLAN

NOTICE OF STOCK OPTION GRANT (EARLY EXERCISE)

The Optionee has been granted the following option to purchase shares of the Common Stock of Synacor, Inc.:

Name of Optionee:	<<Name>>
Total Number of Shares: <<NumberOfShares>>	
Type of Option:	<<ISO>> Incentive Stock Option
	<<NSO>> Nonstatutory Stock Option
Exercise Price per Share:	$<<PricePerShare>>
Date of Grant:	<<DateGrant>>
Date Exercisable:	This option may be exercised at any time after the Date of Grant for all or any part of the Shares subject to this option.
Vesting Commencement Date:	<<VestDay>>
Vesting Schedule:	The Right of Repurchase shall lapse with respect to the <<CliffPercent>>% of the Shares subject to this option when the Optionee completes <<CliffPeriod>> of continuous Service after the Vesting Commencement Date set forth above. The Right of Repurchase shall lapse with respect to an additional <<Percent>> of the Shares subject to this option when the Optionee completes <<IncrementPeriod>> of continuous Service thereafter.
Expiration Date:	<<ExpDate>>. This option expires earlier if the Optionee's Service terminates earlier, as provided in Section 6 of the Stock Option Agreement.

By signing below, the Optionee and the Company agree that this option is granted under, and governed by the terms and conditions of, the 2006 Stock Plan and the Stock Option Agreement. Both of these documents are attached to, and made a part of, this Notice of Stock Option Grant. **Section 14 of the Stock Option Agreement includes important acknowledgements of the Optionee** .

OPTIONEE: **SYNACOR, INC.**

THE OPTION GRANTED PURSUANT TO THIS AGREEMENT AND THE SHARES ISSUABLE UPON THE EXERCISE THEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.

SYNACOR, INC. 2006 STOCK PLAN:
STOCK OPTION AGREEMENT

SECTION 1. GRANT OF OPTION.

(a) **O ption** . On the terms and conditions set forth in the Notice of Stock Option Grant and this Agreement, the Company grants to the Optionee on the Date of Grant the option to purchase at the Exercise Price the number of Shares set forth in the Notice of Stock Option Grant. The Exercise Price is agreed to be at least 100% of the Fair Market Value per Share on the Date of Grant (110% of Fair Market Value if this option is designated as an ISO in the Notice of Stock Option Grant and Section 3(b) of the Plan applies). This option is intended to be an ISO or an NSO, as provided in the Notice of Stock Option Grant.

(b) **$100,000 Limitation** . Even if this option is designated as an ISO in the Notice of Stock Option Grant, it shall be deemed to be an NSO to the extent (and only to the extent) required by the $100,000 annual limitation under Section 422(d) of the Code.

(c) **Stock Plan and Defined Terms** . This option is granted pursuant to the Plan, a copy of which the Optionee acknowledges having received. The provisions of the Plan are incorporated into this Agreement by this reference. Capitalized terms are defined in Section 15 of this Agreement.

SECTION 2. RIGHT TO EXERCISE.

(a) **Exercisability** . Subject to Subsection (b) below and the other conditions set forth in this Agreement, all or part of this option may be exercised prior to its expiration at the time or times set forth in the Notice of Stock Option Grant. Shares purchased by exercising this option may be subject to the Right of Repurchase under Section 7.

(b) **Stockholder Approval** . Any other provision of this Agreement notwithstanding, no portion of this option shall be exercisable at any time prior to the approval of the Plan by the Company's stockholders.

SECTION 3. NO TRANSFER OR ASSIG NMENT OF OPTION.

Except as otherwise provided in this Agreement, this option and the rights and privileges conferred hereby shall not be sold, pledged or otherwise transferred (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment, levy or similar process.

SECTION 4. EXERCISE PROCEDURES.

(a) **Notice of Exercise and Voting Agreement** . The Optionee or the Optionee's representative may exercise this option by (i) giving written notice to the Company pursuant to Section 13(c) and (ii) executing a Voting Agreement. The notice shall specify the election to exercise this option, the number of Shares for which it is being exercised and the form of payment. The person exercising this option shall sign the notice. In the event that this option is being exercised by the representative of the Optionee, the notice shall be accompanied by proof (satisfactory to the Company) of the representative's right to exercise this option. The Optionee or the Optionee's representative shall deliver to the Company, at the time of giving the notice of exercise and the executed Voting Agreement, payment in a form permissible under Section 5 for the full amount of the Purchase Price. In the event of a partial exercise of this option, Shares shall be deemed to have been purchased in the order in which they vest in accordance with the Notice of Stock Option Grant.

(b) **Issuance of Shares** . After receiving a proper notice of exercise and executed Voting Agreement, the Company shall cause to be issued one or more certificates evidencing the Shares for which this option has been exercised. Such Shares shall be registered (i) in the name of the person exercising this option, (ii) in the names of such person and his or her spouse as community property or as joint tenants with the right of survivorship or (iii) with the Company's consent, in the name of a revocable trust. In the case of Restricted Shares, the Company shall cause such certificates to be deposited in escrow under Section 7(c). In the case of other Shares, the Company shall cause such certificates to be delivered to or upon the order of the person exercising this option.

(c) **Withholding Taxes** . In the event that the Company determines that it is required to withhold any tax as a result of the exercise of this option, the Optionee, as a condition to the exercise of this option, shall make arrangements satisfactory to the Company to enable it to satisfy all withholding requirements. The Optionee shall also make arrangements satisfactory to the Company to enable it to satisfy any withholding requirements that may arise in connection with the vesting or disposition of Shares purchased by exercising this option.

SECTION 5. PAYMENT FOR STOCK.

(a) **Cash** . All or part of the Purchase Price may be paid in cash or cash equivalents.

(b) **Surrender of Stock** . At the discretion of the Board of Directors, all or any part of the Purchase Price may be paid by surrendering, or attesting to the ownership of, Shares that are already owned by the Optionee. Such Shares shall be surrendered to the

Company in good form for transfer and shall be valued at their Fair Market Value as of the date when this option is exercised.

(c) **Exercise/Sale** . All or part of the Purchase Price and any withholding taxes may be paid by the delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company. However, payment pursuant to this Subsection (c) shall be permitted only if (i) Stock then is publicly traded and (ii) such payment does not violate applicable law.

SECTION 6. TERM AND EXPIRATION.

(a) **Basic Term** . This option shall in any event expire on the expiration date set forth in the Notice of Stock Option Grant, which date is 10 years after the Date of Grant (five years after the Date of Grant if this option is designated as an ISO in the Notice of Stock Option Grant and Section 3(b) of the Plan applies).

(b) **Termination of Service (Except by Death)** . If the Optionee's Continuous Service Status terminates for any reason other than death, then this option shall expire on the earliest of the following occasions:

(i) The expiration date determined pursuant to Subsection (a) above;

(ii) The date thirty (30) days after the termination of the Optionee's Continuous Service Status for any reason other than Disability; or

(iii) The date six (6) months after the termination of the Optionee's Continuous Service Status by reason of Disability.

The Optionee may exercise all or part of this option at any time before its expiration under the preceding sentence, but only to the extent that this option had become exercisable for vested Shares before the Optionee's Continuous Service Status terminated. When the Optionee's Continuous Service Status terminates, this option shall expire immediately with respect to the number of Shares for which this option is not yet exercisable and with respect to any Restricted Shares. In the event that the Optionee dies after termination of Continuous Service Status but before the expiration of this option, all or part of this option may be exercised (prior to expiration) by the executors or administrators of the Optionee's estate or by any person who has acquired this option directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that this option had become exercisable for vested Shares before the Optionee's Continuous Service Status terminated.

(c) **Death of the Optionee** . If the Optionee dies while in Continuous Service Status or within thirty (30) days after Optionee's Continuous Service Status has terminated, then this option shall expire on the earlier of the following dates:

(i) The expiration date determined pursuant to Subsection (a) above; or

(ii) The date six (6) months after the Optionee's death.

All or part of this option may be exercised at any time before its expiration under the preceding sentence by the executors or administrators of the Optionee's estate or by any person who has acquired this option directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that this option had become exercisable for vested Shares before the Optionee's Continuous Service Status terminates. When the Optionee's Continuous Service Status terminates, this option shall expire immediately with respect to the number of Shares for which this option is not yet exercisable and with respect to any Restricted Shares.

(d) **Part-Time Employment and Leaves of Absence** . If the Optionee commences working on a part-time basis, then the Company may adjust the vesting schedule set forth in the Notice of Stock Option Grant in accordance with the Company's part-time work policy or the terms of an agreement between the Optionee and the Company pertaining to his or her part-time schedule. If the Optionee goes on a leave of absence, then the Company may adjust the vesting schedule set forth in the Notice of Stock Option Grant in accordance with the Company's leave of absence policy or the terms of such leave. Except as provided in the preceding sentence, Service shall be deemed to continue for any purpose under this Agreement while the Optionee is on a *bona fide* leave of absence, if (i) such leave was approved by the Company in writing and (ii) continued crediting of Service for such purpose is expressly required by the terms of such leave or by applicable law (as determined by the Company). Service shall be deemed to terminate when such leave ends, unless the Optionee immediately returns to active work.

(e) **Notice Concerning ISO Treatment** . Even if this option is designated as an ISO in the Notice of Stock Option Grant, it ceases to qualify for favorable tax treatment as an ISO to the extent that it is exercised:

(i) More than three months after the date when the Optionee ceases to be an Employee for any reason other than death or Disability;

(ii) More than 12 months after the date when the Optionee ceases to be an Employee by reason of Disability; or

(iii) More than three months after the date when the Optionee has been on a leave of absence for 90 days, unless the Optionee's reemployment rights following such leave were guaranteed by statute or by contract.

SECTION 7. RIGHT OF REPURCHASE.

(a) **Scope of Repurchase Right** . Until they vest in accordance with the Notice of Stock Option Grant and Subsection (b) below, the Shares acquired under this Agreement shall be Restricted Shares and shall be subject to the Company's Right of Repurchase. The Company, however, may decline to exercise its Right of Repurchase or may exercise its Right of Repurchase only with respect to a portion of the Restricted Shares. The Company may exercise its Right of Repurchase only during the Repurchase Period following the termination of the Optionee's Service. The Right of Repurchase may be exercised automatically under Subsection (d) below. If the Right of Repurchase is exercised, the Company shall pay the

Optionee for each Restricted Share being repurchased an amount equal to the lower of (i) the Exercise Price of such Restricted Share or (ii) the Fair Market Value of such Restricted Share at the time the Right of Repurchase is exercised.

(b) **Lapse of Repurchase Right** . The Right of Repurchase shall lapse with respect to the Restricted Shares in accordance with the vesting schedule set forth in the Notice of Stock Option Grant. In the event that an Optionee, holding an option assumed or substituted by the Successor Corporation in a Change of Control or holding Restricted Shares issued upon exercise of an option with respect to which the Successor Corporation has succeeded to a Right of Repurchase as a result of the Change of Control, is subject to an Involuntary Termination in connection with, or within 12 months following consummation of, the Change of Control, then any assumed or substituted option held by the terminated Optionee at the time of termination shall accelerate and become exercisable as to the number of Restricted Shares that would otherwise have vested and been exercisable as of the date 12 months following the date of the Optionee's termination of his or her Continuous Service Status, and any Right of Repurchase applicable to any Restricted Shares shall lapse as to the number of Restricted Shares as to which the Right of Repurchase would otherwise have lapsed as of the date 12 months following the date of the Optionee's termination of his or her Continuous Service Status, in each case assuming the Optionee remained in Continuous Service Status for such 12- month period. The acceleration of vesting and lapse of Right of Repurchase provided for in the previous sentence shall occur immediately prior to the effective date of the Optionee's termination of his or her Continuous Service Status .

(c) **Escrow** . Upon issuance, the certificate(s) for Restricted Shares shall be deposited in escrow with the Company to be held in accordance with the provisions of this Agreement. Any additional or exchanged securities or other property described in Subsection (f) below shall immediately be delivered to the Company to be held in escrow. All ordinary cash dividends on Restricted Shares (or on other securities held in escrow) shall be paid directly to the Optionee and shall not be held in escrow. Restricted Shares, together with any other assets held in escrow under this Agreement, shall be (i) surrendered to the Company for repurchase upon exercise of the Right of Repurchase or the Right of First Refusal or (ii) released to the Optionee upon his or her request to the extent that the Shares have ceased to be Restricted Shares (but not more frequently than once every six months). In any event, all Shares that have ceased to be Restricted Shares, together with any other vested assets held in escrow under this Agreement, shall be released within 90 days after the earlier of (i) the termination of the Optionee's Service or (ii) the lapse of the Right of First Refusal.

(d) **Exercise of Repurchase Right** . The Company shall be deemed to have exercised its Right of Repurchase automatically for all Restricted Shares as of the commencement of the Repurchase Period, unless the Company during the Repurchase Period notifies the holder of the Restricted Shares pursuant to Section 13(c) that it will not exercise its Right of Repurchase for some or all of the Restricted Shares. During the Repurchase Period, the Company shall pay to the holder of the Restricted Shares the purchase price determined under Subsection (a) above for the Restricted Shares being repurchased. Payment shall be made in cash or cash equivalents and/or by canceling indebtedness to the Company incurred by the Optionee in the purchase of the Restricted Shares. The certificate(s) representing the Restricted Shares being repurchased shall be delivered to the Company.

(e) **Termination of Rights as Stockholder** . If the Right of Repurchase is exercised in accordance with this Sectio n 7 and the Company makes available the consideration for the Restricted Shares being repurchased, then the person from whom the Restricted Shares are repurchased shall no longer have any rights as a holder of the Restricted Shares (other than the right to receive payment of such consideration). Such Restricted Shares shall be deemed to have been repurchased pursuant to this Section 7, whether or not the certificate(s) for such Restricted Shares have been delivered to the Company or the consideration for s uch Restricted Shares has been accepted.

(f) **Additional or Exchanged Securities and Property** . In the event of a merger or consolidation of the Company with or into another entity, any other corporate reorganization, a stock split, the declaration of a stock dividend, the declaration of an extraordinary dividend payable in a form other than stock, a spin-off, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities, any securities or other property (including cash or cash equivalents) that are by reason of such transaction exchanged for, or distributed with respect to, any Restricted Shares shall immediately be subject to the Right of Repurchase. Appropriate adjustments to reflect the exchange or distribution of such securities or property shall be made to the number and/or class of the Restricted Shares. Appropriate adjustments shall also be made to the price per share to be paid upon the exercise of the Right of Repurchase, provided that the aggregate purchase price payable for the Restricted Shares shall remain the same. In the event of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, the Right of Repurchase may be exercised by the Company's successor.

(g) **Transfer of Restricted Shares** . The Optionee shall not transfer, assign, encumber or otherwise dispose of any Restricted Shares without the Company's written consent, except as provided in the following sentence. The Optionee may transfer Restricted Shares to one or more members of the Optionee's Immediate Family or to a trust established by the Optionee for the benefit of the Optionee and/or one or more members of the Optionee's Immediate Family, provided in either case that the Transferee agrees in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If the Optionee transfers any Restricted Shares, then this Agreement shall apply to the Transferee to the same extent as to the Optionee.

(h) **Assignment of Repurchase Right** . The Board of Directors may freely assign the Company's Right of Repurchase, in whole or in part. Any person who accepts an assignment of the Right of Repurchase from the Company shall assume all of the Company's rights and obligations under this Section 7.

SECTION 8. RIGHT OF FIRST REFUSAL.

(a) **Right of First Refusal** . In the event that the Optionee proposes to sell, pledge or otherwise transfer to a third party any Shares acquired under this Agreement, or any interest in such Shares, the Company shall have the Right of First Refusal with respect to all (and not less than all) of such Shares. If the Optionee desires to transfer Shares acquired under this Agreement, the Optionee shall give a written Transfer Notice to the Company describing fully the proposed transfer, including the number of Shares proposed to be transferred, the proposed transfer pr ice, the name and address of the proposed Transferee and proof satisfactory to the Company that the proposed sale or transfer will not violate any applicable federal, State or foreign securities laws. The Transfer Notice shall be signed both by the Option ee and by the proposed Transferee and must constitute a binding commitment of both parties to the transfer of the Shares. The Company shall have the right to purchase all, and not less than all, of the Shares on the terms of the proposal described in the Transfer Notice (subject, however, to any change in such terms permitted under Subsection (b) below) by delivery of a notice of exercise of the Right of First Refusal within 30 days after the date when the Transfer Notice was received by the Company.

(b) **Transfer of Shares** . If the Company fails to exercise its Right of First Refusal within 30 days after the date when it received the Transfer Notice, the Optionee may, not later than 90 days following receipt of the Transfer Notice by the Company, conclude a transfer of the Shares subject to the Transfer Notice on the terms and conditions described in the Transfer Notice, provided that any such sale is made in compliance with applicable federal, State or foreign securities laws and not in violation of any other contractual restrictions to which the Optionee is bound. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by the Optionee, shall again be subject to the Right of First Refusal and shall require compliance with the procedure described in Subsection (a) above. If the Company exercises its Right of First Refusal, the parties shall consummate the sale of the Shares on the terms set forth in the Transfer Notice within 60 days after the date when the Company received the Transfer Notice (or within such longer period as may have been specified in the Transfer Notice); provided, however, that in the event the Transfer Notice provided that payment for the Shares was to be made in a form other than cash or cash equivalents paid at the time of transfer, the Company shall have the option of paying for the Shares with cash or cash equivalents equal to the present value of the consideration described in the Transfer Notice.

(c) **Additional or Exchanged Securities and Property** . In the event of a merger or consolidation of the Company with or into another entity, any other corporate reorganization, a stock split, the declaration of a stock dividend, the declaration of an extraordinary dividend payable in a form other than stock, a spin-off, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities, any securities or other property (including cash or cash equivalents) that are by reason of such transaction exchanged for, or distributed with respect to, any Shares subject to this Section 8 shall immediately be subject to the Right of First Refusal. Appropriate adjustments to reflect the exchange or distribution of such securities or property shall be made to the number and/or class of the Shares subject to this Section 8.

(d) **Termination of Right of First Refusal** . Any other provision of this Section 8 notwithstanding, in the event that the Stock is readily tradable on an established securities market when the Optionee desires to transfer Shares, the Company shall have no Right of First Refusal, and the Optionee shall have no obligation to comply with the procedures prescribed by Subsections (a) and (b) above.

(e) **Permitted Transfers** . This Section 8 shall not apply to (i) a transfer by beneficiary designation, will or intestate succession or (ii) a transfer to one or more members of the Optionee's Immediate Family or to a trust established by the Optionee for the benefit of the Op tionee and/or one or more members of the Optionee's Immediate Family, provided in either case that the Transferee agrees in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If the Optionee transfers any Shares a cquired under this Agreement, either under this Subsection (e) or after the Company has failed to exercise the Right of First Refusal, then this Agreement shall apply to the Transferee to the same extent as to the Optionee.

(f) **Termination of Rights as Stockholder** . If the Company makes available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Shares to be purchased in accordance with this Section 8, then after such time the person from whom such Shares are to be purchased shall no longer have any rights as a holder of such Shares (other than the right to receive payment of such consideration in accordance with this Agreement). Such Shares shall be deemed to have been purchased in accordance with the applicable provisions hereof, whether or not the certificate(s) therefor have been delivered as required by this Agreement.

(g) **Assignment of Right of First Refusal** . The Board of Directors may freely assign the Company's Right of First Refusal, in whole or in part. Any person who accepts an assignment of the Right of First Refusal from the Company shall assume all of the Company's rights and obligations under this Section 8.

SECTION 9. LEGALITY OF INITIAL ISSUANCE.

No Shares shall be issued upon the exercise of this option unless and until the Company has determined that:

(a) It and the Optionee have taken any actions required to register the Shares under the Securities Act or to perfect an exemption from the registration requirements thereof;

(b) Any applicable listing requirement of any stock exchange or other securities market on which Stock is listed has been satisfied; and

(c) Any other applicable provision of federal, State or foreign law has been satisfied.

SECTION 10. NO REGISTRATION RIGHTS.

The Company may, but shall not be obligated to, register or qualify the sale of Shares under the Securities Act or any other applicable law. The Company shall not be obligated to take any affirmative action in order to cause the sale of Shares under this Agreement to comply with any law.

SECTION 11. RESTRICTIONS ON TRANSFER OF SHARES.

(a) **Securities Law Restrictions** . Regardless of whether the offering and sale of Shares under the Plan have been registered under the Securities Act or have been registered or qualified under the securities laws of any State, the Compa ny at its discretion may impose restrictions upon the sale, pledge or other transfer of such Shares (including the placement of appropriate legends on stock certificates or the imposition of stop -transfer instructions) if, in the judgment of the Company, s uch restrictions are necessary or desirable in order to achieve compliance with the Securities Act, the securities laws of any State or any other law.

(b) **Market Stand-Off** . In connection with any underwritten public offering by the Company of its equity securities pursuant to an effective registration statement filed under the Securities Act, including the Company's initial public offering, the Optionee or a Transferee shall not directly or indirectly sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any Shares acquired under this Agreement without the prior written consent of the Company or its managing underwriter. Such restriction (the "Market Stand-Off") shall be in effect for such period of time following the date of the final prospectus for the offering as may be requested by the Company or such underwriter. In no event, however, shall such period exceed 180 days plus such additional period as may reasonably be requested by the Company or such underwriter to accommodate regulatory restrictions on (i) the publication or other distribution of research reports or (ii) analyst recommendations and opinions, including (without limitation) the restrictions set forth in Rule 2711(f)(4) of the National Association of Securities Dealers and Rule 472(f)(4) of the New York Stock Exchange, as amended, or any similar successor rules. The Market Stand-Off shall in any event terminate two years after the date of the Company's initial public offering. In the event of the declaration of a stock dividend, a spin-off, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities without receipt of consideration, any new, substituted or additional securities which are by reason of such transaction distributed with respect to any Shares subject to the Market Stand-Off, or into which such Shares thereby become convertible, shall immediately be subject to the Market Stand-Off. In order to enforce the Market Stand-Off, the Company may impose stop-transfer instructions with respect to the Shares acquired under this Agreement until the end of the applicable stand-off period. The Company's underwriters shall be beneficiaries of the agreement set forth in this Subsection (b). This Subsection (b) shall not apply to Shares registered in the public offering under the Securities Act.

(c) **Investment Intent at Grant** . The Optionee represents and agrees that the Shares to be acquired upon exercising this option will be acquired for investment, and not with a view to the sale or distribution thereof.

(d) **Investment Intent at Exercise** . In the event that the sale of Shares under the Plan is not registered under the Securities Act but an exemption is available that requires an investment representation or other representation, the Optionee shall represent and agree at the time of exercise that the Shares being acquired upon exercising this option are being acquired for investment, and not with a view to the sale or distribution thereof, and shall make such other representations as are deemed necessary or appropriate by the Company and its counsel.

(e) **Legends** . All certificates evidencing Shares purchased under this Agreement shall bear the following legend:

> “THE SHARES REPRESENTED HEREBY MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED OR IN ANY MANNER DISPOSED OF, EXCEPT IN COMPLIANCE WITH THE TERMS OF A WRITTEN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER OF THE SHARES (OR THE PREDECESSOR IN INTEREST TO THE SHARES). SUCH AGREEMENT GRANTS TO THE COMPANY CERTAIN RIGHTS OF FIRST REFUSAL UPON AN ATTEMPTED TRANSFER OF THE SHARES AND CERTAIN REPURCHASE RIGHTS UPON TERMINATION OF SERVICE WITH THE COMPANY. THE SECRETARY OF THE COMPANY WILL UPON WRIT TEN REQUEST FURNISH A COPY OF SUCH AGREEMENT TO THE HOLDER HEREOF WITHOUT CHARGE.”

All certificates evidencing Shares purchased under this Agreement in an unregistered transaction shall bear the following legend (and such other restrictive legends as are required or deemed advisable under the provisions of any applicable law):

> “THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.”

(f) **Removal of Legends** . If, in the opinion of the Company and its counsel, any legend placed on a stock certificate representing Shares sold under this Agreement is no longer required, the holder of such certificate shall be entitled to exchange such certificate for a certificate representing the same number of Shares but without such legend.

(g) **Administration** . Any determination by the Company and its counsel in connection with any of the matters set forth in this Section 11 shall be conclusive and binding on the Optionee and all other persons.

SECTION 12. ADJUSTMENT OF SHARES.

In the event of any transaction described in Section 8(a) of the Plan, the terms of this option (including, without limitation, the number and kind of Shares subject to this option and the Exercise Price) shall be adjusted as set forth in Section 8(a) of the Plan. In the event that the Company is a party to a merger or consolidation, this option shall be subject to the agreement of merger or consolidation, as provided in Section 8(b) of the Plan.

SECTION 13. MISCELLANEOUS PROVISIONS.

(a) **Rights as a Stockholder** . Neither the Optionee nor the Optionee’s representative shall have any rights as a stockholder with respect to any Shares subject to this option until the Optionee or the Optionee’s representative becomes entitled to receive such Shares by filing a notice of exercise and paying the Purchase Price pursuant to Sections 4 and 5.

(b) **No Retention Rights** . Nothing in this option or in the Plan shall confer upon the Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining the Optionee) or of the Optionee, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without cause.

(c) **Notice** . Any notice required by the terms of this Agreement shall be given in writing. It shall be deemed effective upon (i) personal delivery, (ii) deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid or (iii) deposit with Federal Express Corporation, with shipping charges prepaid. Notice shall be addressed to the Company at its principal executive office and to the Optionee at the address that he or she most recently provided to the Company in accordance with this Subsection (c).

(d) **Entire Agreement** . The Notice of Stock Option Grant, this Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) that relate to the subject matter hereof.

(e) **Choice of Law** . This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, as such laws are applied to contracts entered into and performed in such State.

SECTION 14. ACKNOWLEDGEMENTS OF THE OPTIONEE.

(a) **Tax Consequences** . The Optionee agrees that the Company does not have a duty to design or administer the Plan or its other compensation programs in a manner that minimizes the Optionee's tax liabilities. The Optionee shall not make any claim against the Company or its Board of Directors, officers or employees related to tax liabilities arising from this option or the Optionee's other compensation. In particular, the Optionee acknowledges that this option is exempt from Section 409A of the Code only if the Exercise Price is at least equal to the Fair Market Value per Share on the Date of Grant. Since Shares are not traded on an established securities market, the determination of their Fair Market Value is made by the Board of Directors or by an independent valuation firm retained by the Company. The Optionee acknowledges that there is no guarantee in either case that the Internal Revenue Service will agree with the valuation, and the Optionee shall not make any claim against the Company or its Board of Directors, officers or employees in the event that the Internal Revenue Service asserts that the valuation was too low.

(b) **Electronic Delivery of Documents** . The Optionee agrees that the Company may deliver by email all documents relating to the Plan or this option (including, without limitation, a copy of the Plan) and all other documents that the Company is required to deliver to its security holders (including, without limitation, disclosures that may be required by the Securities and Exchange Commission). The Optionee also agrees that the Company may deliver these documents by posting them on a website maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a website, it shall notify the Optionee by email.

SECTION 15. DEFINITIONS.

(a) " **Affiliate** " means an entity other than a Subsidiary which, together with the Company, is under common control of a third person or entity.

(b) " **Agreement** " shall mean this Stock Option Agreement.

(c) " **Board of Directors** " shall mean the Board of Directors of the Company, as constituted from time to time or, if a Committee has been appointed, such Committee.

(d) " **Cause** " for termination of an Optionee's Continuous Service Status will exist if the Optionee is terminated for any of the following reasons: (i) Optionee's willful failure substantially to perform his or her duties and responsibilities to the Company or deliberate violation of a Company policy; (ii) Optionee's commission of any act of fraud, embezzlement, dishonesty or any other willful misconduct that has caused or is reasonably expected to result in material injury to the Company; (iii) unauthorized use or disclosure by Optionee of any proprietary information or trade secrets of the Company or any other party to whom the Optionee owes an obligation of nondisclosure as a result of his or her relationship with the Company; or (iv) Optionee's willful breach of any of his or her obligations under any written agreement or covenant with the Company. The determination as to whether an Optionee is being terminated for Cause shall be made in good faith by the Company and shall be final and binding on the Optionee. The foregoing definition does not in any way limit the Company's ability to terminate an Optionee's employment or consulting relationship at any time, with or without Cause or notice, and the term "Company" will be interpreted to include any Subsidiary, Parent, Affiliate or successor thereto, if appropriate.

(e) " **Change of Control** " means a sale of all or substantially all of the Company's assets, or any merger or consolidation of the Company with or into another corporation other than a merger or consolidation in which the holders of more than 50% of the shares of capital stock of the Company outstanding immediately prior to such transaction continue to hold (either by the voting securities remaining outstanding or by their being converted into voting securities of the surviving entity) more than 50% of the total voting power represented by the voting securities of the Company, or such surviving entity, outstanding immediately after such transaction.

(f) " **Code** " shall mean the Internal Revenue Code of 1986, as amended.

(g) " **Committee** " shall mean a committee of the Board of Directors, as described in Section 2 of the Plan.

(h) " **Company** " shall mean Synacor, Inc., a Delaware corporation.

(i) " **Consultant** " shall mean a person who performs bona fide services for the Company, a Parent or a Subsidiary as a consultant or advisor, excluding Employees and Outside Directors.

(j) " **Continuous Service Status** " means the absence of any interruption or termination of Service. Continuous Service Status as an Employee or Consultant shall not be considered interrupted in the case of: (i) sick leave; (ii) military leave; (iii) any other leave of absence approved by the Company, provided that such leave is for a period of not more than ninety (90) days, unless reemployment upon the expiration of such leave is guaranteed by contract or stat ute, or unless provided otherwise pursuant to Company policy adopted from time to time; or (iv) in the case of transfers between locations of the Company or between the Company, its Parents, Subsidiaries, Affiliates or their respective successors. A chang e in status from an Employee to a Consultant or from a Consultant to an Employee will not constitute an interruption of Continuous Service Status.

(k) " **Date of Grant** " shall mean the date of grant specified in the Notice of Stock Option Grant, which date shall be the later of (i) the date on which the Board of Directors resolved to grant this option or (ii) the first day of the Optionee's Service.

(l) " **Disability** " shall mean that the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted, or can be expected to last, for a continuous period of not less than 12 months.

(m) " **Employee** " shall mean any individual who is a common-law employee of the Company, a Parent or a Subsidiary.

(n) " **Exercise Price** " shall mean the amount for which one Share may be purchased upon exercise of this option, as specified in the Notice of Stock Option Grant.

(o) " **Fair Market Value** " shall mean the fair market value of a Share, as determined by the Board of Directors in good faith. Such determination shall be conclusive and binding on all persons.

(p) " **Immediate Family** " shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law and shall include adoptive relationships.

(q) " **Involuntary Termination** " means termination of an Optionee's Continuous Service Status under the following circumstances: (i) termination without Cause by the Company or a Subsidiary, Parent, Affiliate or successor thereto, as appropriate; or (ii) voluntary termination by the Optionee within 30 days following (A) a material reduction in the Optionee's job responsibilities, provided that neither a mere change in title alone nor reassignment following a Change of Control to a position that is substantially similar to the position held prior to the Change of Control shall constitute a material reduction in job responsibilities; (B) relocation by the Company or a Subsidiary, Parent, Affiliate or successor thereto, as appropriate, of the Optionee's work site to a facility or location more than 50 miles from the Optionee's principal work site for the Company at the time of the Change of Control; or (C) a reduction in Optionee's then-current base salary by at least 10%, provided that an across-the-board reduction in the salary level of all other employees or consultants in positions similar to the Optionee's by the same percentage amount as part of a general salary level reduction shall not constitute such a salary reduction.

(r) " **ISO** " shall mean an employee incentive stock option described in Section 422(b) of the Code.

(s) " **Notice of Stock Option Grant** " shall mean the document so entitled to which this Agreement is attached.

(t) " **NSO** " shall mean a stock option not described in Sections 422(b) or 423(b) of the Code.

(u) " **Optionee** " shall mean the person named in the Notice of Stock Option Grant.

(v) " **Outside Director** " shall mean a member of the Board of Directors who is not an Employee.

(w) " **Parent** " shall mean any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(x) " **Plan** " shall mean the Synacor, Inc. 2006 Stock Plan, as in effect on the Date of Grant.

(y) " **Purchase Price** " shall mean the Exercise Price multiplied by the number of Shares with respect to which this option is being exercised.

(z) " **Repurchase Period** " shall mean a period of 90 consecutive days commencing on the date when the Optionee's Service terminates for any reason, including (without limitation) death or disability.

(aa) " **Restricted Share** " shall mean a Share that is subject to the Right of Repurchase.

(bb) " **Right of First Refusal** " shall mean the Company's right of first refusal described in Section 8.

(cc) " **Right of Repurchase** " shall mean the Company's right of repurchase described in Section 7.

(dd) " **Securities Act** " shall mean the Securities Act of 1933, as amended.

(ee) " **Service** " shall mean service as an Employee, Outside Director or Consultant.

(ff) " **Share** " shall mean one share of Stock, as adjusted in accordance with Section 8 of the Plan (if applicable).

(gg) " **Stock** " shall mean the Common Stock of the Company.

(hh) " **Subsidiary** " shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbrok en chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(ii) " **Transferee** " shall mean any person to whom the Optionee has directly or indirectly transferred any Share acquired under this Agreement.

(jj) " **Transfer Notice** " shall mean the notice of a proposed transfer of Shares described in Section 8.

(kk) " **Voting Agreement** " shall mean the Third Amended and Restated Voting Agreement in substantially the form attached hereto.

Exhibi t A

Voting Agreement

EXHIBIT 10.3.7

SYNACOR, INC.
2012 EQUITY INCENTIVE PLAN
NOTICE OF STOCK OPTION GRANT
(EARLY EXERCISE)

You have been granted the following option to purchase shares of the common stock of Synacor, Inc. (the “Company”):

Name of Optionee: Himesh Bhise

Total Number of Shares: <<NumberShares>>

Type of Option: Nonstatutory Stock Option (NSO)

Exercise Price per Share: <<SharePrice>>

Date of Grant: <<GrantDate>>

Vesting Commencement Date: <<VestDate>>

Date Exercisable: This option may be exercised at any time after the Date of Grant for all or any part of the Shares subject to this option.

Vesting Schedule: This option vests with respect to the first <<CliffPercent>>% of the shares subject to this option when you complete <<CliffPeriods>> of continuous “Service” (as defined in the Plan) from the Vesting Commencement Date. Thereafter, this option vests with respect to an additional <<Percent>> of the shares subject to this option when you complete each additional month of continuous Service. In addition, (a) if the company undergoes a Change of Control before the Optionee’s service with the Company terminates and, within twelve months after such Change of Control the Company (or the surviving corporation) terminates the Optionee’s employment for any reason other than Cause of Permanent Disability or the Optionee’s terminates his employment for Good Reason and a Separation occurs, then (1) if such Change of Control occurs within the first 12 months of Optionee’s service, the vested portion of the Grant shall be determined by adding 36 months to your actual service, and (2) if such Change of Control occurs after the date that is 12 months of the Optionee’s service, then 100% of the then unvested shares of your Grant will immediately vest and be exercisable and (b) if the Company terminates the Optionee’s Service for any reason other than Cause or Permanent Disability or the Optionee terminates his Service for Good Reason, in each case, prior to a Change of Control, and a separation occurs, then the vested portion of this option shall be determined by adding 12 months to the Optionee’s actual service.

Change of Control, Good Reason, Separation, and Permanent Disability shall have the same meaning as set forth in the employment offer letter between you and the Company dated as of July 31, 2014.

Expiration Date: <<ExpDate>>. This option expires earlier if your Service terminates earlier, as described in the Stock Option Agreement, and may terminate earlier in connection with certain corporate transactions as described in Article 9 of the Plan.

You and the Company agree that this option is granted under and governed by the terms and conditions of the Company’s 2012 Equity Incentive Plan (the “Plan”) and the Stock Option Agreement, both of which are attached to, and made a part of, this document.

You further agree to accept by email all documents relating to the Plan or this option (including, without limitation, prospectuses required by the Securities an d Exchange Commission) and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements). You also agree that the Company may deliver these documents by posting the m on a website maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a website, it will notify you by email.

You further agree to comply with the Company's Insider Trading Policy when selling shares of the Company's common stock.

OPTIONEE **SYNACOR, INC.**

By:

Name: Himesh Bhise Himesh Bhise

Chief Executive Officer

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SYNACOR, INC.
2012 EQUITY INCENTIVE PLAN

STOCK OPTION AGREEMENT

Grant of Option	Subject to all of the terms and conditions set forth in the Notice of Stock Option Grant, this Stock Option Agreement (the "Agreement") and the Plan, the Company has granted you an option to purchase up to the total number of shares specified in the Notice of Stock Option Grant at the exercise price indicated in the Notice of Stock Option Grant. All capitalized terms used in this Agreement shall have the meanings assigned in this Agreement, the Notice of Stock Option Grant or the Plan.
Tax Treatment	This option is intended to be an incentive stock option under Section 422 of the Code or a nonstatutory stock option, as provided in the Notice of Stock Option Grant. However, even if this option is designated as an incentive stock option in the Notice of Stock Option Grant, it shall be deemed to be a nonstatutory stock option to the extent it does not qualify as an incentive stock option under federal tax law, including under the $100,000 annual limitation under Section 422(d) of the Code.
Exercisability	This option is immediately exercisable with respect to all or any part of the option (however, this option may not be exercised for fractional shares), as set forth in the Notice of Stock Option Grant.
Vesting	This option vests in accordance with the vesting schedule set forth in the Notice of Stock Option Grant. In no event will this option vest for additional shares after your Service has terminated for any reason.
Term	This option expires in any event at the close of business at Company headquarters on the day before the 10th anniversary of the Date of Grant, as shown in the Notice of Stock Option Grant. (This option will expire earlier if your Service terminates, as described below, and this option may be terminated earlier as provided in Article 9 of the Plan.)
Termination of Service	If your Service terminates for any reason, this option will expire immediately to the extent the option is unvested as of your termination date and does not vest as a result of your termination of Service. The Company determines when your Service terminates for this purpose.
Regular Termination	If your Service terminates for any reason except death or total and permanent disability, then this option, to the extent vested as of your termination date, will expire at the close of business at Company headquarters on the date three months after your termination date.

Death If you die before your Service terminates, then this option will expire at the close of business at Company headquarters on the date 12 months after

the date of death.

Disability If your Service terminates because of your total and permanent disability, then this option will expire at the close of business at Company headquarters on the date 12 months after your termination date.

For all purposes under this Agreement, "total and permanent disability" means that you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted, or can be expected to last, for a continuous period of not less than one year.

Leaves of Absence and Part-Time Work For purposes of this option, your Service does not terminate when you go on a military leave, a sick leave or another *bona fide* leave of absence, if the leave was approved by the Company in writing and if continued crediting of Service is required by applicable law, the Company's leave of absence policy, or the terms of your leave. However, your Service terminates when the approved leave ends, unless you immediately return to active work; provided that, if reemployment upon expiration of the approved leave is not guaranteed by statute or contract, then any incentive stock option shall cease to be treated as such and shall instead be treated as a nonstatutory stock option beginning six months following the first day of such leave.

If you go on a leave of absence, then the vesting schedule specified in the Notice of Stock Option Grant may be adjusted in accordance with the Company's leave of absence policy or the terms of your leave. If you commence working on a part-time basis, the Company may adjust the vesting schedule so that the rate of vesting is commensurate with your reduced work schedule.

Restrictions on Exercise The Company will not permit you to exercise this option if the issuance of shares at that time would violate any law or regulation.

Notice of Exercise When you wish to exercise this option, you must notify the Company by filing the proper "Notice of Exercise" form at the address given on the form or, if the Company has designated a brokerage firm to administer the Plan, you must notify such brokerage firm in the manner such brokerage firm requires. Your notice must specify how many shares you wish to purchase. The notice will be effective when the Company receives it.

However, if you wish to exercise this option by executing a same-day sale (as described below), you must follow the instructions of the Company and the broker who will execute the sale.

If someone else wants to exercise this option after your death, that person must prove to the Company's satisfaction that he or she is entitled to do so.

You may only exercise your option for whole shares.

Form of Payment When you submit your notice of exercise, you must include payment of the option exercise price for the shares that you are purchasing. To the extent permitted by applicable law, payment may be made in one (or a

combination of two or more) of the following forms:

- By delivering to the Company your personal check, a cashier's check or a money order, or arranging for a wire transfer.
- By delivering to the Company certificates for shares of Company stock that you own, along with any forms needed to effect a transfer of those shares to the Company. The value of the shares, determined as of the effective date of the option exercise, will be applied to the option exercise price. Instead of surrendering shares of Company stock, you may attest to the ownership of those shares on a form provided by the Company and have the same number of shares subtracted from the option shares issued to you.
- By giving to a securities broker approved by the Company irrevocable directions to sell all or part of your option shares and to deliver to the Company, from the sale proceeds, an amount sufficient to pay the option exercise price and any withholding taxes. (The balance of the sale proceeds, if any, will be delivered to you.) The directions must be given in accordance with the instructions of the Company and the broker. This exercise method is sometimes called a "same-day sale."

Withholding Taxes You will not be allowed to exercise this option unless you make arrangements acceptable to the Company to pay any withholding taxes that may be due as a result of the option exercise. These arrangements include payment in cash. With the Company's consent, these arrangements may also include (a) payment from the proceeds of the sale of shares through a Company-approved broker, (b) withholding shares of Company stock that otherwise would be issued to you when you exercise this option with a fair market value no greater than the minimum amount required to be withheld by law, (c) surrendering shares that you previously acquired with a fair market value no greater than the minimum amount required to be withheld by law, or (d) withholding cash from other compensation. The fair market value of withheld or surrendered shares, determined as of the date when taxes otherwise would have been withheld in cash, will be applied to the withholding taxes.

Restrictions on Resale You agree not to sell any option shares at a time when applicable laws, Company policies or an agreement between the Company and its underwriters prohibit a sale. This restriction will apply as long as your Service continues and for such period of time after the termination of your Service as the Company may specify.

Transfer of Option

Prior to your death, only you may exercise this option. You cannot transfer or assign this option. For instance, you may not sell this option or use it as security for a loan. If you attempt to do any of these things, this option will immediately become invalid. You may, however, dispose of this option in your will or by means of a written beneficiary designation; provided that your beneficiary or a representative of your estate acknowledges and agrees in writing in a form reasonably acceptable to the Company, to be bound by the provisions of this Agreement and the Plan as if such beneficiary or the estate were you.

Regardless of any marital property settlement agreement, the Company is not obligated to honor a notice of exercise from your former spouse, nor is the Company obligated to recognize your former spouse's interest in your option in any other way.

Right of Repurchase Until they vest in accordance with the Notice of Stock Option Grant, the Shares acquired under this Agreement shall be "Restricted Shares". Except as permitted by the following sentence, you may not sell, transfer, pledge or otherwise dispose of any Restricted Shares without the written consent of the Company. You may transfer Restricted Shares to your spouse, children or grandchildren, or to a trust established by you for the benefit of yourself, your spouse, children and/or grandchildren. A transferee of Restricted Shares must agree in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If Restricted Shares are subject to a stock split, stock dividend or similar transaction, then the additional shares you receive as a result will also be Restricted Shares.

If your service terminates for any reason, the Company may repurchase any Restricted Shares then held by you for a purchase price equal to the lower of (i) the exercise price of each Restricted Share being repurchased or (ii) the Fair Market Value of such Restricted Share at the time the right of repurchase is exercised. If the Company wishes to exercise its right to repurchase the Restricted Shares, it must do so within 120 days of the termination of your Service. The Company may exercise its right or repurchase by providing notice to you, however, the Company will be deemed to automatically exercise its right of repurchase if it does not notify you within 120 days of the termination of your Service that it is declining to do so.

If the Company exercises its right to repurchase your Restricted Shares, the Company will send you a check or otherwise remit payment to you in an amount equal to the repurchase price described in the preceding paragraph. Upon your receipt of such payment, you will no longer have any rights with respect to the Restricted Shares (including the right to vote or transfer the shares) and the Restricted Shares will be deemed to have been repurchased by the Company.

Restricted Shares will bear a legend referring to the Company's right of repurchase and any certificates issued representing Restricted Shares may be held in escrow by the Company. As your vested percentage increases, you may request (at reasonable intervals) that the Company release to

you a non-legended certificate for your vested shares.

Retention Rights Your option or this Agreement does not give you the right to be retained by the Company, a Parent, Subsidiary, or an Affiliate in any capacity. The Company and its Parents, Subsidiaries, and Affiliates reserve the right to terminate your Service at any time, with or without cause.

Stockholder Rights You, or your estate or heirs, have no rights as a stockholder of the Company until you have exercised this option by giving the required notice to the Company, paying the exercise price, and satisfying any applicable withholding taxes. No adjustments are made for dividends or other rights if the applicable record date occurs before you exercise this option, except as described in the Plan.

Adjustments In the event of a stock split, a stock dividend or a similar change in Company stock, the number of shares covered by this option and the exercise price per share will be adjusted pursuant to the Plan.

Effect of Significant Corporate Transactions If the Company is a party to a merger, consolidation, or certain change in control transactions, then this option will be subject to the applicable provisions of Article 9 of the Plan.

Applicable Law This Agreement will be interpreted and enforced under the laws of the State of Delaware (without regard to its choice-of-law provisions).

The Plan and Other Agreements The text of the Plan is incorporated in this Agreement by reference. In the event of any conflict between the terms and conditions of the Plan and the terms and conditions of this Agreement, the terms and conditions of the Plan will prevail.

The Plan, this Agreement and the Notice of Stock Option Grant constitute the entire understanding between you and the Company regarding this option. Any prior agreements, commitments or negotiations concerning this option are superseded. This Agreement may be amended only by another written agreement between the parties.

BY SIGNING THE COVER SHEET OF THIS AGREEMENT, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN

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SYNACOR, INC.
2012 EQUITY INCENTIVE PLAN
NOTICE OF STOCK OPTION GRANT
(EARLY EXERCISE)

You have been granted the following option to purchase shares of the common stock of Synacor, Inc. (the “Company”):

Name of Optionee: William Stuart	
Total Number of Shares: <<NumberShares>>	
Type of Option:	Nonstatutory Stock Option (NSO)
Exercise Price per Share:	<<SharePrice>>
Date of Grant: <<GrantDate>>	
Vesting Commencement Date: <<VestDate>>	
Date Exercisable:	This option may be exercised at any time after the Date of Grant for all or any part of the Shares subject to this option.
Vesting Schedule:	This option vests with respect to the first <<CliffPercent>> of the shares subject to this option when you complete <<CliffPeriod>> months of continuous “Service” (as defined in the Plan) from the Vesting Commencement Date. Thereafter, this option vests with respect to an additional <<Percent>> of the shares subject to this option when you complete each additional month of continuous Service. In addition, if there is a Change of Control of the Company and (a) the acquirer or successor entity does not assume this option in full, (b) your compensation is reduced below your rate of compensation as of immediately prior to such Change of Control, or (c) there is a material reduction in your duties and responsibilities as a result of or within 12 months following such Change of Control, then 100% of the shares subject to the option shall vest. Change of Control shall have the same meaning as set forth in the employment offer letter between you and the Company dated as of August 2, 2011.
Expiration Date:	<<ExpDate>>. This option expires earlier if your Service terminates earlier, as described in the Stock Option Agreement, and may terminate earlier in connection with certain corporate transactions as described in Article 9 of the Plan.

You and the Company agree that this option is granted under and governed by the terms and conditions of the Company’s 2012 Equity Incentive Plan (the “Plan”) and the Stock Option Agreement, both of which are attached to, and made a part of, this document.

You further agree to accept by email all documents relating to the Plan or this option (including, without limitation, prospectuses required by the Securities and Exchange Commission) and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements). You also agree that the Company may deliver these documents by posting them on a website maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a website, it will notify you by email.

You further agree to comply with the Company’s Insider Trading Policy when selling shares of the Company’s common stock.

OPTIONEE **SYNACOR, INC.**

By:

Name: William J. Stuart Himesh Bhise

Chief Executive Officer

SYNACOR, INC.
2012 EQUITY INCENTIVE PLAN
STOCK OPTION AGREEMENT

Grant of Option	Subject to all of the terms and conditions set forth in the Notice of Stock Option Grant, this Stock Option Agreement (the “Agreement”) and the Plan, the Company has granted you an option to purchase up to the total number of shares specified in the Notice of Stock Option Grant at the exercise price indicated in the Notice of Stock Option Grant. All capitalized terms used in this Agreement shall have the meanings assigned in this Agreement, the Notice of Stock Option Grant or the Plan.
Tax Treatment	This option is intended to be an incentive stock option under Section 422 of the Code or a nonstatutory stock option, as provided in the Notice of Stock Option Grant. However, even if this option is designated as an incentive stock option in the Notice of Stock Option Grant, it shall be deemed to be a nonstatutory stock option to the extent it does not qualify as an incentive stock option under federal tax law, including under the $100,000 annual limitation under Section 422(d) of the Code.
Exercisability	This option is immediately exercisable with respect to all or any part of the option (however, this option may not be exercised for fractional shares), as set forth in the Notice of Stock Option Grant.
Vesting	This option vests in accordance with the vesting schedule set forth in the Notice of Stock Option Grant. In no event will this option vest for additional shares after your Service has terminated for any reason.
Term	This option expires in any event at the close of business at Company headquarters on the day before the 10th anniversary of the Date of Grant, as shown in the Notice of Stock Option Grant. (This option will expire earlier if your Service terminates, as described below, and this option may be terminated earlier as provided in Article 9 of the Plan.)
Termination of Service	If your Service terminates for any reason, this option will expire immediately to the extent the option is unvested as of your termination date and does not vest as a result of your termination of Service. The Company determines when your Service terminates for this purpose.
Regular Termination	If your Service terminates for any reason except death or total and permanent disability, then this option, to the extent vested as of your termination date, will expire at the close of business at Company headquarters on the date three months after your termination date.

Death If you die before your Service terminates, then this option will expire at the close of business at Company headquarters on the date 12 months after the date of death.

Disability If your Service terminates because of your total and permanent disability, then this option will expire at the close of business at Company headquarters on the date 12 months after your termination date.

For all purposes under this Agreement, "total and permanent disability" means that you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted, or can be expected to last, for a continuous period of not less than one year.

Leaves of Absence and Part-Time Work For purposes of this option, your Service does not terminate when you go on a military leave, a sick leave or another *bona fide* leave of absence, if the leave was approved by the Company in writing and if continued crediting of Service is required by applicable law, the Company's leave of absence policy, or the terms of your leave. However, your Service terminates when the approved leave ends, unless you immediately return to active work; provided that, if reemployment upon expiration of the approved leave is not guaranteed by statute or contract, then any incentive stock option shall cease to be treated as such and shall instead be treated as a nonstatutory stock option beginning six months following the first day of such leave.

If you go on a leave of absence, then the vesting schedule specified in the Notice of Stock Option Grant may be adjusted in accordance with the Company's leave of absence policy or the terms of your leave. If you commence working on a part-time basis, the Company may adjust the vesting schedule so that the rate of vesting is commensurate with your reduced work schedule.

Restrictions on Exercise The Company will not permit you to exercise this option if the issuance of shares at that time would violate any law or regulation.

Notice of Exercise When you wish to exercise this option, you must notify the Company by filing the proper "Notice of Exercise" form at the address given on the form or, if the Company has designated a brokerage firm to administer the Plan, you must notify such brokerage firm in the manner such brokerage firm requires. Your notice must specify how many shares you wish to purchase. The notice will be effective when the Company receives it.

However, if you wish to exercise this option by executing a same-day sale (as described below), you must follow the instructions of the Company and the broker who will execute the sale.

If someone else wants to exercise this option after your death, that person must prove to the Company's satisfaction that he or she is entitled to do so.

You may only exercise your option for whole shares.

Form of Payment When you submit your notice of exercise, you must include payment of the option exercise price for the shares that you are purchasing. To the extent permitted by applicable la w, payment may be made in one (or a combination of two or more) of the following forms:

- By delivering to the Company your personal check, a cashier's check or a money order, or arranging for a wire transfer.
- By delivering to the Company certificates for shares of Company stock that you own, along with any forms needed to effect a transfer of those shares to the Company. The value of the shares, determined as of the effective date of the option exercise, will be applied to the option exercise price. Instead of surrendering shares of Company stock, you may attest to the ownership of those shares on a form provided by the Company and have the same number of shares subtracted from the option shares issued to you.
- By giving to a securities broker approved by the Company irrevocable directions to sell all or part of your option shares and to deliver to the Company, from the sale proceeds, an amount sufficient to pay the option exercise price and any withholding taxes. (The balance of the sale proceeds, if any, will be delivered to you.) The directions must be given in accordance with the instructions of the Company and the broker. This exercise method is sometimes called a "same-day sale."

Withholding Taxes You will not be allowed to exercise this option unless you make arrangements acceptable to the Company to pay any withholding taxes that may be due as a result of the option exercise. These arrangements include payment in cash. With the Company's consent, these arrangements may also include (a) payment from the proceeds of the sale of shares through a Company-approved broker, (b) withholding shares of Company stock that otherwise would be issued to you when you exercise this option with a fair market value no greater than the minimum amount required to be withheld by law, (c) surrendering shares that you previously acquired with a fair market value no greater than the minimum amount required to be withheld by law, or (d) withholding cash from other compensation. The fair market value of withheld or surrendered shares, determined as of the date when taxes otherwise would have been withheld in cash, will be applied to the withholding taxes.

Restrictions on Resale You agree not to sell any option shares at a time when applicable laws, Company policies or an agreement between the Company and its underwriters prohibit a sale. This restriction will apply as long as your Service continues and for such period of time after the termination of your Service as the Company may specify.

Transfer of Op tion Prior to your death, only you may exercise this option. You cannot transfer or assign this option. For instance, you may not sell this option or use it as security for a loan. If you attempt to do any of these things, this option will immediately become invalid. You may, however, dispose of this option in your will or by means of a written beneficiary designation; provided that your beneficiary or a representative of your estate acknowledges and agrees in writing in a form reasonably acceptable to the Company, to be bound by the provisions of this Agreement and the Plan as if such beneficiary or the estate were you.

Regardless of any marital property settlement agreement, the Company is not obligated to honor a notice of exercise from your former spouse, nor is the Company obligated to recognize your former spouse's interest in your option in any other way.

Right of Repurchase Until they vest in accordance with the Notice of Stock Option Grant, the Shares acquired under this Agreement shall be "Restricted Shares". Except as permitted by the following sentence, you may not sell, transfer, pledge or otherwise dispose of any Restricted Shares without the written consent of the Company. You may transfer Restricted Shares to your spouse, children or grandchildren, or to a trust established by you for the benefit of yourself, your spouse, children and/or grandchildren. A transferee of Restricted Shares must agree in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If Restricted Shares are subject to a stock split, stock dividend or similar transaction, then the additional shares you receive as a result will also be Restricted Shares.

If your service terminates for any reason, the Company may repurchase any Restricted Shares then held by you for a purchase price equal to the lower of (i) the exercise price of each Restricted Share being repurchased or (ii) the Fair Market Value of such Restricted Share at the time the right of repurchase is exercised. If the Company wishes to exercise its right to repurchase the Restricted Shares, it must do so within 120 days of the termination of your Service. The Company may exercise its right or repurchase by providing notice to you, however, the Company will be deemed to automatically exercise its right of repurchase if it does not notify you within 120 days of the termination of your Service that it is declining to do so.

If the Company exercises its right to repurchase your Restricted Shares, the Company will send you a check or otherwise remit payment to you in an amount equal to the repurchase price described in the preceding paragraph. Upon your receipt of such payment, you will no longer have any rights with respect to the Restricted Shares (including the right to vote or transfer the shares) and the Restricted Shares will be deemed to have been repurchased by the Company.

Restricted Shares will bear a legend referring to the Company's right of repurchase and any certificates issued representing Restricted Shares may

b e held in escrow by the Company. As your vested percentage increases, you may request (at reasonable intervals) that the Company release to you a non-legended certificate for your vested shares.

Retention Rights Your option or this Agreement does not give you the right to be retained by the Company, a Parent, Subsidiary, or an Affiliate in any capacity. The Company and its Parents, Subsidiaries, and Affiliates reserve the right to terminate your Service at any time, with or without cause.

Stockholder Rights You, or your estate or heirs, have no rights as a stockholder of the Company until you have exercised this option by giving the required notice to the Company, paying the exercise price, and satisfying any applicable withholding taxes. No adjustments are made for dividends or other rights if the applicable record date occurs before you exercise this option, except as described in the Plan.

Adjustments In the event of a stock split, a stock dividend or a similar change in Company stock, the number of shares covered by this option and the exercise price per share will be adjusted pursuant to the Plan.

Effect of Significant Corporate Transactions If the Company is a party to a merger, consolidation, or certain change in control transactions, then this option will be subject to the applicable provisions of Article 9 of the Plan.

Applicable Law This Agreement will be interpreted and enforced under the laws of the State of Delaware (without regard to its choice-of-law provisions).

The Plan and Other Agreements The text of the Plan is incorporated in this Agreement by reference. In the event of any conflict between the terms and conditions of the Plan and the terms and conditions of this Agreement, the terms and conditions of the Plan will prevail.

The Plan, this Agreement and the Notice of Stock Option Grant constitute the entire understanding between you and the Company regarding this option. Any prior agreements, commitments or negotiations concerning this option are superseded. This Agreement may be amended only by another written agreement between the parties.

BY SIGNING THE COVER SHEET OF THIS AGREEMENT, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN

THE PLAN.

EXHIBIT 10.6.9

NINTH AMENDMENT TO
AMENDED & RESTATED MASTER SERVICES AGREEMENT

This Ninth Amendment ("Ninth Amendment") effective as of December 30, 2016 ("Ninth Amendment Effective Date") is by and between **Synacor, Inc.** ("Synacor") and **Qwest Corporation** , on behalf of itself and as agent for its Affiliates ("Client") under which the parties hereto mutually agree to modify and amend the **Amended & Restated Master Services Agreement** , effective as of **April 1, 2012** , as amended (including the exhibits, schedules and amendments thereto, the "Agreement') as provided in this Ninth Amendment. All terms defined herein shall be applicable solely to this Ninth Amendment. Any capitalized terms used herein, which are defined in the Agreement and are not otherwise defined herein, shall have the meanings ascribed to them in the Agreement.

In consideration of the premises and mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree to amend and modify the Agreement, effective as of the Ninth Amendment Effective Date, as follows:

1.0 Email Services: Synacor currently provides to Client an email service, the data related to which is hosted in a data center [*] (such data center referred to as "Data Center One") on equipment leased or owned [*]. Synacor and Client agree to revise the email service such that such data is moved into a new data center [*] ("Data Center Two") and the equipment on which it is stored is upgraded. The new equipment will be provided [*] and managed by Synacor, and upon the migration of the data to Data Center Two, the email service provided by Synacor will be a managed email service (the "Synacor Managed Email Service"). [*]

2.0 Term: Section 7.1 of the Agreement is hereby deleted in its entirety and replaced with the following:

Term. This Agreement shall be effective as of the Effective Date and shall continue thereafter in full force and effect through December 31, 2019 (the "Initial Term"). Thereafter the Agreement shall automatically renew for up to five (5) periods of one (1) year each (each such renewal period shall be referred to as a "Renewal Term", and together with the Initial Term, the "Term"), provided however that either party may prevent automatic renewal by providing the other party with at least 180 days prior written notice of non-renewal.

3.0 Definitions: Section 1 of Schedule A of the Agreement is hereby amended as follows:

Subsections (a) and (g) are hereby deleted in their entirety and replaced respectively with the following:

a. "Activated Email Box" means an email box that has been created within the Synacor email service and not deleted as of the last day of the then-current month.

g. "Email Fee" shall mean a fee due monthly from Client to Synacor throughout the Term equal to the sum of (i) [*] per Activated Email Box per month (expressly excluding the Activated Email Boxes hosted in Data Center One) and (ii) [*]

4.0 Financial Terms: Section 4(c)(v) of Schedule A of the Agreement is here by deleted and replaced with the following:

(v) **Platform Fees:** Client shall pay Synacor the applicable monthly Platform Fees and Email fees in accordance with Section 4(f) below.

5.0 Amended and Restated Agreement. Client and Synacor agree to work together in good faith to amend and restate the existing agreement between them [*]. Such effort may include, but not be limited to, [*], further definition of the Synacor Managed Email Service including any benefits, commitments, and restrictions associated with such service, and revision of the agreement to reflect the Synacor Managed Email Service rather than the current email solution.

6.0 Timing for Migration of Email Boxes. Once the new amended and restated agreement referenced in Section 5 above is signed by the parties, Synacor and Client will use commercially reasonable efforts to migrate all existing email boxes from the current data centers [*] to the Synacor Managed Email Service in Data Center Two as quickly as possible while still maintaining the security and integrity of the email boxes.

7.0 [*] Synacor acknowledges Client's preference is for Synacor to [*] associated with the Synacor Managed Email Solution, and Synacor currently intends to [*] for that purpose. However, such commitment by Synacor [*] is contingent on the mutual agreement to the new amended and restated agreement between Synacor and Client. If for any reason the parties are not able to come to such agreement [*], Synacor may notify [*] that it cannot move forward with them for the Synacor Managed Email Service and in turn will notify Client of such determination. In such event, this Ninth Amendment will be terminated upon the date set forth in such notice to Client.

8.0 Scope of Amendment: This Ninth Amendment supersedes all proposals, oral or written, all negotiations, conversations, or discussions between or among the parties relating to the subject matter of this Ninth Amendment. This Ninth Amendment shall be integrated into, and form a part of, the Agreement as of the Ninth Amendment Effective Date. All terms and conditions of the Agreement shall remain unchanged except as expressly modified by this Ninth Amendment; and the terms of the Agreement as modified by this Ninth Amendment are hereby ratified and confirmed. If the terms of the Agreement conflict with those of this Ninth Amendment, the terms of this Ninth Amendment shall control. This Ninth Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Ninth Amendment as of the date set forth below their respective signatures, to be effective as of the Ninth Amendment Effective Date.

SYNACOR, INC.	**QWEST CORPORATION, On behalf of itself and as agent for its Affiliates**
By:___/William J. Stuart/____	By:__/Stacey L. Potter/__
Name:_William J. Stuart________	Name:__Stacey L.Potter_______
Title:___CFO__________________	Title:___Lead Sourcing Analyst______
Date:___12/30/16__________	Date:_________________________

[*] = CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION.
CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

Exhibit 10.9.9

Google

December 16, 2016

Synacor, Inc.
40 La Riviere Dr., Suite 300
Buffalo, NY 14202

RE: Notice of GSA Term Extension

Dear Matt:

As you know, Google Inc. (" **Google** ") and Synacor, Inc. (" **Synacor** ") are parties to that certain Google Services Agreement dated March 1, 2011 (as amended, the " **Agreement** "). By this letter, Google hereby gives notice to Synacor that it is exercising the option set forth in Section 17.2(g) of the Agreement to extend the term of the Agreement by 12 months. The term of the Agreement will now extend until February 28, 2018.

Please don't hesitate to reach out to me if you have any questions.

Sincerely,

/s/ Lara Gruber

CC: Michelle Webb (Synacor)
CC: Himesh Bhise (Synacor)
CC: Karen Beatty (Google)
CC: Aman Shah (Google)

EXHIBIT 10.16.3

SECOND AMENDMENT ("AMENDMENT") TO PORTAL AND ADVERTISING SERVICES AGREEMENT

This Second Amendment is entered into and effective as of December 5, 2016 (the "Amendment Effective Date"), by and between AT&T Services, Inc., for and on behalf of its operating Affiliates, and Synacor, Inc., and hereby amends the Portal and Advertising Services Agreement, as amended (the "Agreement") between them which has an effective date of May 1, 2016, as set forth below. Capitalized terms used, but not defined in this Amendment shall have the meanings ascribed to them in the Agreement.

1. A new Section 2.2(b)(vii) is added to the Agreement and shall read as follows:

    (vii) No later than [*] Synacor shall invoice AT&T for an amount equal to [*] and AT&T shall pay such invoice within [*]. Synacor shall [*] procure additional Synacor Content as specifically directed by AT&T for placement on the Portal (including any Portal Applications). [*]

[*] Synacor [*] efforts to procure and manage the Synacor Content described in this clause (vii), and to that end, Synacor will provide quarterly reporting from the Portal Team [*].

2. In the sixth sentence of Section 7.2(a) of the Agreement [*] such that the sentence now reads as follows:

[*]

3. Section 8.1(d) of the Agreement is replaced in its entirety with the following:

(d) AT&T and Synacor will work to determine mutually acceptable economic payment terms to Synacor associated with AT&T Content sourced from a Third Party before it is made available on the Portal and Portal Applications since AT&T deal terms may vary with each Third Party Content provider from whom such Content is procured. In addition, the Parties recognize that certain Synacor Content to be made available on the Portal may be sourced from a Third Party on terms that deviate from Synacor's standard deal terms for Third Party Content [*]. In those instances where deal terms for Synacor Content deviate from Synacor's standard terms [*] the Parties will work in good faith to determine mutually acceptable economic payment terms associated with any such Synacor Content before it is made available on the Portal. [*]

[*]

4. Exhibit 6 has been finalized by the Parties pursuant to Section 15.2(e) of the Agreement, and the version of Exhibit 6 attached to this Amendment is hereby incorporated into the Agreement.

5. Exhibit 13 is replaced in its entirety with the new Exhibit 13 attached to this Amendment.

6. [*]

7. Exhibit 23 (SISR) is replaced in its entirety with the new Exhibit 23 attached to this Amendment.

8. The Parties acknowledge that Exhibit 32 was not finalized by the Parties at the time that the original Agreement was executed and agree that the Parties have since finalized such Exhibit. Therefore, the version of Exhibit 32 attached to this Amendment is hereby incorporated into the Agreement.

9. Portal Design Engagement . Synacor and AT&T have agreed that Synacor will retain the services of the consulting firm, [*] for the purpose of providing certain services in connection with the design, development and launch of the Growth Portal and certain aspects of the Core Portal. The Parties also have agreed that Synacor will retain the services of [*] and may engage additional third party firms with AT&T's approval, to supplement certain aspects of the [*] engagement. [*], and any such approved third party firm are hereinafter collectively referred to as the " **Design Firm** ." Certain terms and conditions relating to the Design Firm engagement are set forth in the Statement of Work attached to this Amendment as Appendix 1 .

10. Except as set forth in this Amendment all other terms of the Agreement remain unchanged.

11. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[*Signatures on following page*]

IN WITNESS WHEREOF, the Parties have executed this Amendment by th eir duly authorized officers or representatives as of the Amendment Effective Date.

SYNACOR, INC.

By: _____/s/Himesh Bhise____________________

Name: ___Himesh Bhise____________________

Title: ____CEO___________________

Date: ____12-5-16____________________

AT&T SERVICES, INC.
(for and on behalf of its operating Affiliates)

By: ____/s/Benjamin Carroll______________________

Name: ___Benjamin Carroll_____________________

Title: ____Exec. Dir_____________________

Date: ____12/5/16_____________________

Appendix 1

STATEMENT OF WORK
GROWTH PORTAL DESIGN

This Statement of Work (" **SOW** "), effective July 11, 2016, is entered into as of December 5, 2016 (the " **SOW Effective Date** "), by and between AT&T Services, Inc., for and on behalf of its operating Affiliates, and Synacor, Inc., pursuant to the Portal and Advertising Services Agreement, as amended (the " **Agreement** "), between them which has an effective date of May 1, 2016. Capitalized terms used, but not defined in this SOW shall have the meanings ascribed to them in the Agreement.

1. **Portal Design Services** . Subject to the terms set forth in this SOW, Synacor and AT&T have agreed that Synacor will retain the services of the consulting firm [*] for the purpose of providing certain services in connection with the design, development and launch of the Growth Portal and certain aspects of the Core Portal. The Parties also have agreed that Synacor will retain the services of [*] and may engage additional third party firms with AT&T's approval, to supplement certain aspects of the [*] engagement. [*] and any such approved third party firm are hereinafter collectively referred to as the " **Design Firm** ." Synacor will enter into one or more agreements with the Design Firm for the aforementioned purpose (collectively, the " **Design Firm Agreement** "). The Design Firm shall be collectively retained solely on a consultant – "work for hire" basis.

2. **Payment.** [*]

3. [*]

[*]

4. **Definition of Commercialized.** For the purposes herein, Designs and Ideas are deemed to have been " **Commercialized** " by a Party if such Party or any of its Affiliates or licensees incorporates any of the Designs and Ideas into a product or service of such Party or its Affiliates or licensee and then offers to sell, sells, or otherwise makes such product or service commercially available to third parties.

5. **[*]**

[*]

6. **[*]**

a. [*] Except as may be provided pursuant to the preceding sentence, THE DESIGNS AND IDEAS ARE PROVIDED BY SYNACOR TO AT&T "AS IS" WITHOUT WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE AND NON-INFRINGEMENT.

b. Without limiting Synacor's indemnification obligations as set forth in the Agreement, Synacor agrees to defend, indemnify and hold harmless AT&T and the AT&T Indemnified Parties from and against, and to pay any liabilities, damages, fines, penalties, assessments, interest and expenses, including reasonable attorneys' fees, arising from any Third Party Claim alleging that [*].

c. THE FOREGOING INDEMNITY STATES SYNACOR'S ENTIRE LIABILITY FOR THE DESIGNS AND IDEAS, INCLUDING THE IMPLEMENTATION THEREOF, AND EXCEPT AS SET FORTH IN PARAGRAPH 6.b. ABOVE, SYNACOR SHALL NOT BE LIABLE TO AT&T WITH RESPECT TO DESIGNS AND IDEAS, INCLUDING THE IMPLEMENTATION THEREOF, FOR ANY DIRECT OR INDIRECT DAMAGES, INCLUDING WITHOUT LIMITATION, SPECIAL, INDIRECT, INCIDENTAL, PUNATIVE OR CONSEQUENTIAL DAMAGES, INCLUDING, WITHOUT LIMITATION, DAMAGES RESULTING FROM LOSS OF BUSINESS, PROFITS OR GOODWILL, WHETHER OR NOT ADVISED OR AWARE OF THE POSSIBILITY OF SUCH DAMAGES.

7. **Miscellaneous.**

a. If there is any inconsistency between the terms of the Agreement and the terms of this SOW, this SOW shall prevail for purposes of this SOW only and except as expressly amended, supplemented or modified by this SOW, the Agreement is unmodified and shall remain in full force and effect.

b. This SOW may be executed in counterparts, each of which shall be deemed an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[*Signatures on following page*]

[*] = CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

IN WITNESS WHEREOF, the Parties have executed this SOW by their duly authorized officers or representatives as of the SOW Effective Date.

SYNACOR, INC.

By: ____/s/Himesh Bhise_____________________

Name: __Himesh Bhise_____________________

Title: ___CEO____________________

Date: ____12-5-16____________________

AT&T SERVICES, INC.
(for and on behalf of its operating Affiliates)

By: ____/s/Benjamin Carroll______________________

Name: __Benjamin Carroll______________________

Title: ____Exec Dir_____________________

Date: ____12/5/16_____________________

Exhibit 6 - Final

Exhibit 6

Cookies

This Exhibit 6 (Cookies) , is an exhibit to the Portal and Advertising Services Agreement, effective as of May 1, 2016 (the " Agreement "), between AT&T Services, Inc. (" AT&T ") and Synacor, Inc. (" Synacor "). All capitalized terms not otherwise defined in this Exhibit 6 shall have the meanings ascribed to them in the Agreement or the other exhibits thereto.

[*]

[*] = CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

Exhibit 13

Human Resources Requirements

This Exhibit 13 (Human Resources Requirements) , is an exhibit to the Portal and Advertising Services Agreement, effective as of May 1, 2016 (the " Agreement "), between AT&T Services, Inc. (" AT&T ") and Synacor Inc. (" Synacor "). All capitalized terms not otherwise defined in this Exhibit 13 shall have the meanings ascribed to them in the Agreement or the other exhibits thereto.

1. [*]

2. **Key Synacor Personnel** :

   [*]

[*] = CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

Exhibit 23

SISR

This Exhibit 23 (SISR) , is an exhibit to the Portal and Advertising Services Agreement, effective as of May 1, 2016 (the " Agreement "), between AT&T Services, Inc. (" AT&T ") and Synacor, Inc. (" Synacor "). All capitalized terms not otherwise defined in this Exhibit 23 shall have the meanings ascribed to them in the Agreement or the other exhibits thereto.

AT&T Supplier Information Security Requirements [*]

[*]

Exhibit 32

[*]

This Exhibit 32 [*] is an exhibit to the Portal and Advertising Services Agreement, effective as of May 1, 2016 (the " Agreement "), between AT&T Services, Inc. (" AT&T ") and Synacor, Inc. (" Synacor ").

[*]

[*] = CERTAIN INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

Exhibit 21.1

Synacor, Inc.
List of Subsidiaries

Name	Jurisdiction
NTV Internet Holdings, LLC	Delaware
Synacor Canada, Inc.	Canada
Synacor China, Ltd.	Cayman Islands
Sync Holdings, LLC	Delaware
Zimbra Software, LLC	Texas
Zimbra Europe Limited	United Kingdom
Zimbra Technology India Private Limited	India
Zimbra Japan G.K.	Japan
Zimbra Singapore Pte Ltd	Singapore

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-179608, 333-188691, 333-194847, 333-198579, 333-202852, and 333-210393 on Form S-8, and Registration Statement No. 333-214600 on Form S-3 of our report dated March 21, 2017, relating to the consolidated financial statements of Synacor, Inc. and subsidiaries appearing in this Annual Report on Form 10-K of Synacor, Inc. for the year ended December 31, 2016.

/s/ Deloitte & Touche LLP

Williamsville, New York
March 21, 2017

Exhibit 31.1

CERTIFICATIONS

I, Himesh Bhise, certify that:

1. I have reviewed this Annual Report on Form 10-K of Synacor, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 22, 2017

By: /s/ HIMESH BHISE
Himesh Bhise
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, William J. Stuart, certify that:

1. I have reviewed this Annual Report on Form 10-K of Synacor, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 22, 2017

By: /s/ WILLIAM J. STUART
William J. Stuart
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Himesh Bhise, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Synacor, Inc. on Form 10-K for the fiscal year ended December 31, 2016 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Synacor, Inc.

Date: March 22, 2017

/s/ Himesh Bhise
Himesh Bhise
President and Chief Executive Officer
(Principal Executive Officer)

I, William J. Stuart, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Synacor, Inc. on Form 10-K for the fiscal year ended December 31, 2016 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Synacor, Inc.

Date: March 22, 2017

/s/ William J. Stuart
William J. Stuart
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Synacor, Inc. and will be retained by Synacor, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. This certification “accompanies” the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.